

FEBRUARY 9, 2009

# The American Conservative

## Paper Pusher

**United States of Argentina**

Philip Jenkins

**When Money Dies**

Adam Fergusson

**Deflated Expectations**

George Selgin

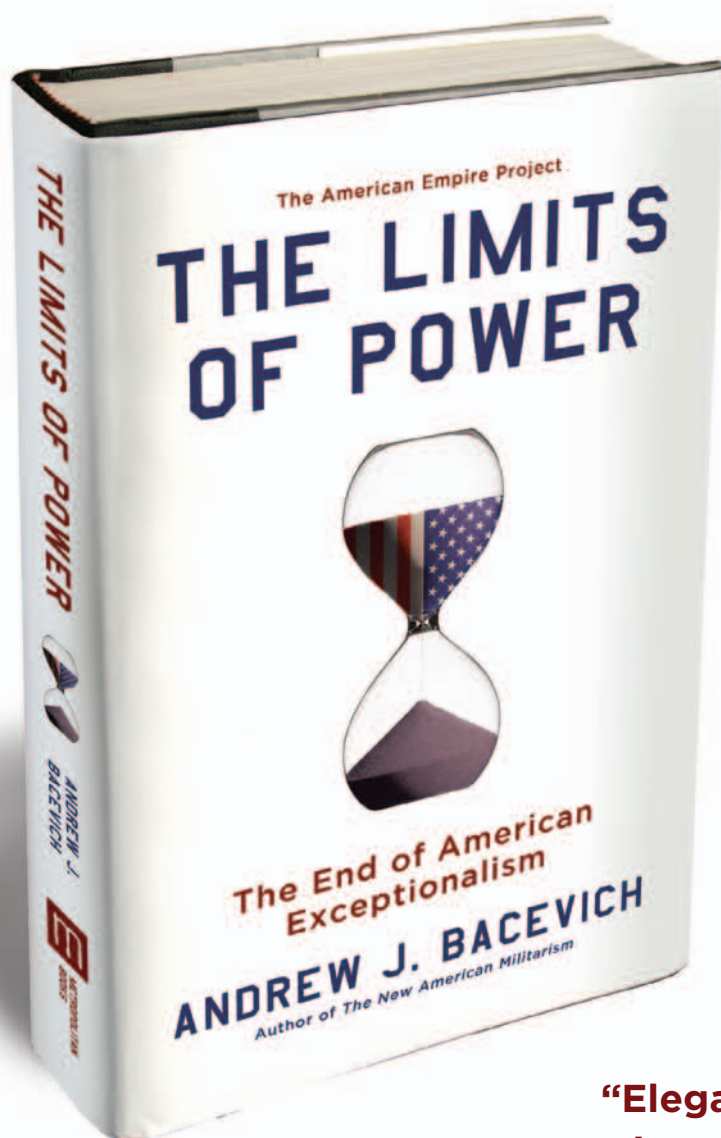
**Fed Up**

Thomas E. Woods Jr.



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[POLITICS]

## STIMULATING LEVIATHAN

As we go to press, President Obama's \$900 billion (and counting) stimulus package has passed the House, over entrenched Republican opposition, and is all but certain to pass the Senate. After everything that happened under Bush, it's disconcerting to find oneself agreeing with the Republicans again. But they're right—as Rep. Mike Pence (R-Ind.) says, the package “won't stimulate anything but more government and more debt.” If only other Republicans had been whistling that tune while they still had power in Washington.

One conservative who left the Republican fold over the party's fiscal ineptitude is Bruce Bartlett, who voted for Obama in the last election. Once the author of *Reaganomics: Supply Side Economics in Action*, he has become a born-again disciple of John Maynard Keynes. But Bartlett warns that even from a Keynesian perspective, the stimulus won't work: “The problem is that fiscal stimulus needs to be injected right now to counter the liquidity trap. But if much of the stimulus doesn't come online until next year, when we are likely to be past the worst of the slowdown, then crowding out will greatly diminish the effectiveness of the stimulus, just as critics argue.” Government stimulus spending will only displace productive private spending—as even a Keynesian can see.

[JOBS]

## RECONSTRUCTION PROJECT

The billions President Obama is seeking to rebuild American infrastructure come with a catch: whites and white collars need not apply. Obama's economic adviser Robert Reich, in testimony before the House Ways and Means Committee, said, “I am concerned, as I'm sure many of you are, that these jobs not

simply go to high-skilled people who are already professionals or to white male construction workers...”

So who should be building our bridges? According to Reich, criteria can be set “so that the money does go to others, the long-term unemployed, minorities, women.” In other words, the jackhammers, cement mixers, and other heavy equipment should be manned by layoffs, affirmative-action hires, and mothers.

On his personal blog, Reich noted how replaceable experienced laborers are: “People can be trained relatively quickly for these sorts of jobs, as well as many infrastructure jobs generated by the stimulus.” So why aren't companies already toeing the PC line? Because, Reich says, “contractors have to be nudged both to provide the training and to do the hiring.” Funny how the language of economic incentive sounds so much like bribery.

“I have nothing against white male construction workers,” Reich added during his testimony—besides training and subsidizing their future competitors while discriminating against them in the largest construction projects of the next generation. Perhaps by 2012, high-skilled professionals and white males will qualify as the long-term unemployed.



NATE BEELER WWW.CAGECARTOONS.COM

[WAR]

## IT TAKES OUT A VILLAGE

The residents of two remote hamlets in the outer reaches of Pakistan probably didn't hear the Inaugural Address, but they soon came to understand—faster, indeed, than most Americans—the new president's plans for their part of their world.

On Jan. 23, three days into the Obama presidency, U.S. military drones fired Hellfire missiles at five targets. According to official estimates, 22 people were killed, including up to seven “foreigners”—i.e., suspected terrorists—and at least three children.

So much for hopes that with Bush gone the policy of selectively pulverizing mud huts in Waziristan would end. “Both President Bush and President Obama have made clear that we will go after al-Qaeda wherever al-Qaeda is,” said Defense Secretary Robert Gates.

Nobody should be surprised by Obama's twitchy trigger finger. After all, the new commander in chief called for direct military action in Pakistan throughout last year, repeatedly urging the Bush administration to drop bombs inside allied territory.

Yet while tough talk played on the campaign trail, the reality has been a diplomatic disaster. The drone-missile assaults have further destabilized Pak-

istan's government and spread hatred of the U.S.: this most recent attack sparked a fiercely anti-American mass demonstration in Islamabad. The fear for Pakistan is not that Obama is another Bush; it's that he might be worse.

[FINANCE]

## BLUNDERING HERD

The federal government is floating a plan to consolidate troubled assets into a "bad bank." It may have already created one. On Sept. 15, the day Lehman Brothers collapsed, Bank of America announced its rescue of Merrill Lynch. Desperate to keep another Wall Street titan from toppling, Washington played not-so-silent partner, sweetening the deal with \$25 billion of TARP funds. This month it shoveled in another \$20 billion, along with \$118 billion in loan guarantees.

But all those billions can't stanch the bleeding: shares of Bank of America have fallen 85 percent since the acquisition was announced, costing shareholders \$250 billion. As the deal closed, Merrill chairman John Thain was busy passing out \$25 million in parting gifts from the office he had recently redecorated. When your bank is on the skids, it might be wise to forego that \$87,783 area rug, \$68,178 credenza, and \$1,404 trashcan, but Thain actually came in under his \$1.8 million budget. He's since been pink-slipped, but not before logging a \$15.3 billion fourth-quarter loss undisclosed to investors before the deal was sealed. (Conveniently, Thain was skiing in Vail when Bank of America's bosses got the bad news.)

While other lenders were going bust, BoA could go shopping because it had largely resisted the subprime lure. But in short order, it scooped up troubled Countrywide and made this rash play for Merrill. "We could have rolled the dice and possibly got it at a cheaper price," Bank of America CEO Ken Lewis said at the time of the takeover—not exactly music

to shareholders' ears. "But we thought the long-term benefits were so overwhelming and such a strategic opportunity that we elected not to roll the dice."

Since then the benefits have all but evaporated, but the overwhelming part remains. With a little nudge from nervous Uncle Sam, it's amazing how fast you can pile up bad paper.

[MEDIA]

## SCRATCHED KRISTOL

The neoconservative quotient at the *New York Times* dropped by half—the Old Gray Lady booted Bill Kristol off the editorial pages Jan. 26, after a year-long try-out. Scott Horton of the *Daily Beast* reports that Kristol's bellicose ideology was not the problem. Far from it: "Kristol's proximity to key Washington players ranging from Bush and Cheney to John McCain ... was considered a distinct plus. His leading advocacy of the Iraq War also added to his appeal." If ever there were any doubt, this ought to confirm that the *Times* can't tell the difference between a conservative and a hawk, or the Right and the Republican Party.

According to Horton, the *Weekly Standard* editor was dumped for a prosaic, but certainly valid, reason: "Kristol's writing wasn't compelling or even very careful. He either lacked a talent for solid opinion journalism or wasn't putting his heart into it." Evidently the *Washington Post* puts a higher premium on his talents, however: Kristol gets a monthly gig with Katharine Weymouth's paper as a consolation prize. Self-servingly, the *Post* headlined its story about Kristol's change of perch, "Kristol Severs Ties With the N.Y. Times." Anyone fact check that?

Neoconservative princes have a way of landing on their feet. As for the *Times*, no word yet on who might replace Kristol, but we have a feeling the paper won't be calling on Pat Buchanan or Bill Kauffman. Early betting has been on David Frum. *Plus ça change...* ■

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# *United States of Argentina*

How inflation turned a rising power into a pauper

**By Philip Jenkins**

ANYONE NOT ALARMED by the state of the U.S. economy is not paying attention. As our Dear Leader begins his term, the theory of very big government has the support of an alarmingly broad political consensus. Despite the obvious dangers—devastating inflation and the ruin of the dollar—the United States seems pledged to a debt-funded spending spree of gargantuan proportions.

In opposing this trend, critics face the problem that the perils to which they point sound very theoretical and abstract. Perhaps Zimbabwe prints its currency in multi-trillion units, but that's a singularly backward African dictatorship: the situation has nothing to do with us. Yet an example closer to home might be more instructive. Unlike Zimbabwe, this story involves a flourishing Western country with a large middle class that nevertheless managed to spend its way into banana-republic status by means very similar to those now being proposed in Washington.

The country in question is Argentina, and even mentioning the name might initially make any comparison seem tenuous. The United States is a superpower with a huge economy. Argentina is a political and economic joke, a global weakling legendary for endemic economic crises. Between them and us, surely, a great gulf is fixed. Yet Argentina did not always have its present meager status, nor did its poverty result from some inherent Latin American affinity for crisis and corruption. A century ago, Argentina was one of the world's

emerging powers, seemingly destined to outpace all but the greatest imperial states. Today it is ... Argentina. A national decline on that scale did not just happen: it was the result of decades of struggle and systematic endeavor, led by the nation's elite. As the nation's greatest writer, Jorge Luis Borges, once remarked, only generations of statesmanship could have prevented Argentina from becoming a world power.

For Americans, the Argentine experience offers multiple warnings, not just about how dreadfully things can go wrong but how a nation can reach a point of no return. Not only did Argentina squander its many blessings, it created a situation from which the society could never recover. Argentines still suffer from the blunders and hubris of their grandparents without any serious likelihood that even their most strenuous efforts will make a difference. A nation can get into such a situation easily enough, but getting out is a different matter. A corrupted economy can't be cured without being wiped out and started over.

It is hard, looking at the basket case Argentina has become, to imagine what an economic powerhouse the country was before World War II. From the 1880s, Argentina was, alongside the U.S. itself, a prime destination for European migrants. Buenos Aires was one of the world's largest metropolitan areas, in a select club that included London, Paris, Berlin, and New York City. Argentina benefited mightily from

foreign investment, which it used wisely to create a strong infrastructure and an excellent system of free mass education. It had the largest and most prosperous middle class in Latin America. When World War I began, Argentina was the world's tenth wealthiest nation.

Right up to the 1940s, American and European economists struggled to explain the glaring contrast between booming Argentina and slothful Australia. As many studies pointed out, both countries had begun at a roughly similar point, as agricultural producers dependent on fickle world markets. Yet Australia remained stuck in colonial status while Argentina made the great leap forward to the status of an advanced nation with an expanding industrial base and sophisticated commerce.

So what happened? Certainly the country was hit hard by the depression of the 1930s, but so were other advanced nations that ultimately recovered, and Argentina profited from intense wartime demand for primary products.

The country was killed by political decisions, and the primary culprit was Juan Perón. He dominated political life through the 1940s and ruled officially as president from 1946 to 1955, returning briefly in the 1970s. Although he did not begin the process, he completed the transformation of Argentine government so that the state became both an object of plunder and an instrument for plunder.

Perón came from a fascist and corporatist mindset, which became more aggressively populist under the influence of his second wife Eva. They aimed their rhetoric against the nation's rich, a designation that was swiftly expanded to cover most of the propertied middle classes, who became an enemy to be defeated and humiliated. To equalize the supposed struggle between the rich and the dispossessed, the Peróns exalted the liberating role of the state. The bureaucracy swelled alarmingly as nationalization brought key sectors of the economy under official control. Government bought loyalty through a massive program of social spending while fostering the growth of labor unions, which became intimate allies of the governing party. Argentina came to be the most unionized nation in Latin America. Perón also ended any pretense of the independence of the judiciary, purging and intimidating judges about whom he had any doubts and replacing them with minions.

The Peronist model—a New Deal on steroids—evolved into an effective clientelism, in which party overlords and labor bosses ruled through a mixture of corruption and violence. Clientelism, in effect, means the annexation of state resources for the benefit of political parties and private networks. Right now, both the word and the concept are not terribly familiar to Americans, but this is one Latin American export that they may soon need to get used to.

As high taxes and economic mismanagement took their toll, the Peróns blamed the disasters on class enemies at home and imperialism abroad, but the regime could not survive the loss of the venerated Eva. After attempting briefly to swing back to the center, Juan Perón was overthrown and driven into Spanish exile. Later governments tried varying strategies to reclaim

Argentina's lost splendors and some enjoyed success, but Perón's curse endured. Even when his party was driven underground, its traditions remained: demagogic populism, a perception of the state as a device for enriching supporters and punishing foes, and a contempt for economic realities. Utopian mass movements inspired by Peronist ideas and charisma segued easily into the far-left upsurge of the 1960s, when Argentina gave birth to some of the world's most dangerous terrorist and guerrilla movements. By 1976, the military intervened to stave off the imminent collapse of the state and launched the notorious Dirty War that killed thousands.

#### THE PERONIST MODEL—A NEW DEAL ON STEROIDS—EVOLVED INTO AN EFFECTIVE **CLIENTELISM**, IN WHICH PARTY OVERLORDS AND LABOR BOSSES RULED THROUGH A MIXTURE OF **CORRUPTION AND VIOLENCE**.

Since 1976, Argentine economic policies have lurched from catastrophe to catastrophe. The military junta borrowed enormously with no serious thought about consequences, and the structures of Argentine society made it impossible to tell how funds were being invested. Foreign debt exploded, the deficit boomed, and inflation approached 100 percent a year. Economic meltdown had disastrous political consequences. By 1982, like many other dictatorships through history, the Argentine junta tried to solve its domestic problems by turning to foreign military adventures. And like other regimes, they found that their control over military affairs was about as weak as their command of the economy. Military defeat in the Falkland Islands destroyed the junta. By 1983, a civilian president was in power once more. But nothing could stop the nosedive. Infla-

tion reached 672 percent by 1985 and 3,080 percent by 1989. The disaster provoked capital flight and the collapse of investor confidence, not to mention the annihilation of middle-class savings. In the words of one observer, José Ignacio García Hamilton, the nation became "an international beggar with the highest per capita debt in the world."

Another civilian president, Carlos Menem, took office in 1989, and despite his Peronist loyalties he initially tried to restore sanity through a program of privatization and deregulation. But events soon proved that Menem was only following a familiar pattern whereby a new regime would speak the language

of reform and moderation for a couple of years before facing a showdown with the underlying realities of Argentine society. Menem could not overcome the overwhelming inertia within the country, the juggernaut pressures toward the growth of the state, to bureaucratization and regulation, and the destruction of private initiative and free enterprise. Between 1991 and 1999, Argentine public debt burgeoned from 34 percent of GDP to 52 percent. During the same decade, government public debt more than doubled as a percentage of GDP. These burdens stifled private investment so that productive sectors of the economy languished.

Economic disaster led inevitably to a collapse of social confidence and the evaporation of loyalty to the state. The more heavily the country was taxed and regulated, the more Argentines took their transactions off the books,

creating a black economy on par with that of the old Soviet Union. In terms of paying their taxes, Argentines are about as faithful as the Italians to whom most have blood ties. Tax evasion became a national sport, second only to soccer in the Argentine consciousness, and provided another stumbling block to fiscal integrity. The collapse of respect for authority also extended to the law: courts are presumed to operate according to bribes and political pressure.

Systematic corruption has had horrifying implications for national security. After all, once you establish the idea that the state is for sale, there is no reason not to offer its services to foreign buyers. One spectacular example of such outsourcing occurred in 1994, when Islamist terrorists blew up a Jewish community center in Buenos Aires, killing 85. The investigation of the massacre was thoroughly bungled, reportedly because the Iranian government paid Menem \$10 million. It is trivial to list the many other allegations of corruption and embezzlement surrounding Menem: what else is politics for, if not to enrich yourself and your clients?

In 2001-02, Argentine fortunes reached depths hitherto unplumbed. A debt-fueled crisis provoked a run on the currency, leading the government to freeze virtually all private bank accounts for 12 months. At the end of 2001, the country defaulted on its foreign debt of \$142 billion, the largest such failure in history. With the economy in ruins, almost 60 percent of Argentines were living below the poverty line. Street violence became so intense that the president was forced to flee his palace by helicopter.

Since 2002, yet another new government has presided over an illusory economic boom before being manhandled by the ugly ghosts of Juan and Evita.

Those specters were on hand to whisper their excellent advice to a new generation: if you face a crisis caused by excessive government spending, borrowing, and regulation, what else do you do except push even harder to spend, borrow, and regulate? Over the past two years, new taxes and price freezes have again crippled the economy, bringing power blackouts and forced cuts in production. Public debt stands at 56 percent of GDP, and inflation runs 20 percent. Last October, the government seized \$29 billion in private pension funds, hammering the final nail in the coffin of the old middle classes. Judging by credit default swap spreads on government debt, the smart money is now betting heavily on another official default before mid-year. The Argentine economy may not actually be dead yet, but it has plenty of ill-wishers trying hard to finish it off.

We all know that deficits drive inflation, which can destroy a society. Less obvious is the political dimension of such a national suicide. Debts and deficits must be understood in the context of the populism that commonly entices governments to abandon economic restraint. No less political are the probable consequences of such a course: authoritarianism, public violence, and militarism.

The road to economic hell is paved with excellent intentions—a desire to save troubled industries, relieve poverty, and bolster communities that support the present government. But the higher the spending and the deeper the deficits, the worse the effects on productive enterprise and the heavier the penalty placed on thrift and enterprise. As matters deteriorate, governments have a natural tendency to divert blame onto some unpopular group, which comes to be labeled in terms of class, income, or race. With society so polarized, the party in power can dis-

miss any criticism as the selfish whining of the privileged and concentrate on the serious business of diverting state resources to its own followers.

Quite rapidly, “progressive” economic reforms subvert and then destroy savings and property, eliminating any effective opposition to the regime. Soon, too—if the Perón precedent is anything to go by—the regime organizes its long march through the organs of power, conquering the courts, the bureaucracy, the schools, and the media. Hyper-deficits bring hyperinflation, and only for the briefest moment can they coexist with any kind of democratic order.

Could it happen here? The U.S. certainly has very different political traditions from Argentina and more barriers to a populist-driven rape of the economy. On the other hand, events in some regions would make Juan Perón smile wistfully. California runs on particularly high taxes, uncontrollable deficits, and overregulation with a vastly swollen bureaucracy while the hegemonic power of organized labor prevents any reform. Thankfully, the state has no power to devalue its currency, still less to freeze bank accounts or seize pension funds, and businesses can still relocate elsewhere. But in its social values and progressive assumptions, California is close to the Democratic mainstream, which now intends to impose its ideas on the nation as a whole. And at over 60 percent of GDP, U.S. public debt is already higher than Argentina’s.

When honest money perishes, the society goes with it. We can’t say we weren’t warned. ■

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*Philip Jenkins is the author of The Lost History of Christianity: The Thousand-Year Golden Age of the Church in the Middle East, Africa, and Asia—and How It Died.*



# When Money Dies

Brother, can you spare a million marks?

By Adam Fergusson

*From wise friends to obscure websites, we'd heard rumors that it exists. But tracking down When Money Dies, the definitive 1975 text on hyperinflation in Weimar Germany, is another matter entirely. Amazon lists a copy for \$2,500. The Library of Congress declares it on perpetual "internal loan." The publisher is out of business. But we eventually located Adam Fergusson in London, and he graciously gave TAC permission to condense his classic. Even in abridged form, its literary grace and historical insight are apparent. So too its modern relevance.*

THE AGONY OF INFLATION is similar to acute pain—demanding complete attention while it lasts; forgotten or ignorable when it has gone, whatever scars it may leave behind. Some such explanation may apply to the strange way in which the remarkable episode of the Weimar inflation has been divorced from contemporary incident.

This is not an economic study. This is a morality tale. It goes far to prove the revolutionary axiom that if you wish to destroy a nation you must first corrupt its currency. Thus must sound money be the first bastion of a society's defense.

In 1913, the German mark, British shilling, French franc, and Italian lira were all worth about the same, and four or five were worth about a dollar. By 1923, it would have been possible to exchange a shilling, a franc, or a lira for up to 1,000,000,000,000 marks, although no one was willing to take marks for anything.

The inflation was so preposterous that the story has tended to be passed off more as a historical curiosity than the culmination of economic, social, and political circumstance of permanent significance. It matters little that the causes of the Weimar inflation are unrepeatable, that political conditions are different, that it is almost inconceivable that financial chaos would again be allowed to develop so far. The danger to be recognized is how inflation, however caused, affects a nation: its government, its people, its society.

If what happened to the defeated Central Powers in the early 1920s is anything to go by, then the process of collapse of the trusted medium of exchange, the currency by which all values are measured, by which social status is guaranteed, upon which security depends, and in which the fruits of labor are stored, unleashes such greed, violence, and hatred, largely bred from fear, as no society can survive uncrippled.

Certainly 1922 and 1923 brought catastrophe to the German bourgeoisie, as well as hunger, disease, destitution, and sometimes death to an even wider public. Yet any people might have ridden out those years had they represented one frightful storm in an otherwise calm passage. What most damaged the morale was that they were the climax of unreality to years of unimagined strain.

To ascribe the despair entirely to inflation would be misleading. Undoubtedly, though, inflation aggra-

vated every evil, ruined every chance of national revival or individual success, and produced the conditions in which extremists could raise the mob against the state. It undermined national resolution when simple want might have bolstered it. Partly because of its unfairly discriminatory nature, it brought out the worst in everybody. It caused fear and insecurity among those who had already known too much of both. It fostered xenophobia. It promoted contempt of government and the subversion of law and order. It corrupted where corruption had been unknown, and often where it should have been impossible.

Before 1914, the credit policy of the Reichsbank had been governed by the Bank Law of 1875, whereby not less than one-third of the note issue had to be covered by gold and the remainder by three-month discount bills adequately guaranteed. In August 1914, action was taken both to pay for the war and to protect the country's gold reserves. The latter objective was achieved by the simple device of suspending the redemption of Reichsbank notes in gold. The former was contrived by setting up loan banks whose funds were to be provided simply by printing them. The loan banks would give credits to business, to the Federal states, to the municipalities, and to the new war corporations.

Thus were the government's plans drawn up for financing the war—not by taxation but by borrowing, with the printing press as the well to supply

both the needs of government and the credit demand for private business. Only when the war was over, with the veil of censorship lifted, did it become clear that Germany had met an economic disaster nearly as shattering as her military one. Within a few months of the Armistice, the elements were present for the most devastating monetary collapse that any industrialized nation has ever known. Her industrial resources and manpower heavily reduced, and hopelessly burdened with the insupportable weight of reparation payments, Germany was required to regain her feet in quicksands of her own making.

The state of the mark became the barometer both of international confidence in Germany and national despair. Before the war, it had stood at 20 to the pound sterling. At the end of the war, it stood at 43. Before the terms of the Treaty of Versailles were accepted in June 1919, a pound would buy 60 marks. But when December came around again, it would buy 185.

\*\*\*

"The delirium of milliards [i.e., billions]" was a phrase of Foreign Minister Walter Rathenau's coining. "The majority of statesmen and financiers think in terms of paper," he wrote. "They sit in their offices and look at papers ... and on those papers are written figures which again represent papers. ... A milliard comes easily and trippingly to the tongue, but no one can imagine a milliard. ... Does a wood contain a milliard leaves? Are there a milliard blades of grass in a meadow?"

Rathenau diagnosed that delirium as an affliction not of the people in general—that was to come—but of those who were supposedly in control of the country's finances, who had raised the note circulation since the beginning of the year from 73 milliard marks to 80

milliard. The mark, at 310 to the pound in mid-August, had sped downwards to over 400 by mid-September, and was still going down.

The disease, the German financial world seemed to agree, was not containable without international goodwill and a significant relaxation of the obligations under the peace treaties. But Germany's politicians set about relieving the symptoms wherever possible. The prime minister of Bavaria submitted a bill to make gluttony a penal offense. A glutton was defined as "one who habitually devotes himself to the pleasures of the table to such a degree that he might arouse discontent in view of the distressful condition of the population." It was proposed that such a one "may be arrested on suspicion, and punished by imprisonment and/or a fine of up to 100,000 marks for a first offense." The bill—reminiscent of an Austrian move to tax anyone who gave a luncheon or a tea party—was never enacted. It was indicative, nonetheless, of the offense caused by German profiteers and by the foreigners swarming to take advantage of the exchange rates, and the desperate lengths to which respectable politicians were being pushed.

Politics were becoming irrelevant: at Christmas 1921, the cost of living had become people's only concern. Since 1913, the price of rye bread had risen by 13 times; beef by 17. Sugar, milk, pork, and potatoes had risen between 23 and 28 times; butter had gone up by 33 times.

It was natural that people in the grip of raging inflation should look for someone to blame. In blaming the greed of tourists or the wage demands of labor or the selfishness of industrialists or the sharpness of the Jews, they were in large measure still blaming not the disease but the symptoms. A few of the financially sophisticated could be heard blaming the government, but a

typical view was that prices went up because the foreign exchange went up, that the exchange rate went up because of speculation on the stock exchange, and that this was obviously the fault of the Jews.

By the spring of 1922, Germany was evincing many signs of national despair. The country's self-confidence ebbed away along with its prosperity, and as it did so, the moral degeneration of the nation and its institutions set in. Pessimism and restlessness grew as security, community spirit, and patriotism dwindled. Neither hatred of French militarism in the abstract and France in general nor a desire for revenge were enough to hold together what had been the most law-abiding people in Europe when the fabric of the nation was crumbling along with its ethical values, and the moral, material, and social ravages of inflation were immeasurably worsening the conditions of both.

Among some, the rebirth of the German soul, battered by war, hardship, and humiliation, was becoming something of an obsession. Not just the militarists of *Frontkämpfertag* and the academics of Königsberg but many of all classes began to long for a great leader: not a ruler of the type of the Kaiser, but one possessed of the attributes and Spartan values of the legendary figures of early Teutonic history. It was a longing Hitler fully understood. When a nation is falling apart, its old values challenged by new conditions, there are always elements who will seize on any means of cohesion.

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The rise in prices intensified the demand for currency, both by the state and other employers. Private banks could not meet the demand and had to ration the cashing of checks, so that uncashed checks remained frozen while their purchasing power drained

away. It became impossible to persuade anyone to accept any description of check, and business came to a standstill. The panic spread to the working classes when they realized that their wages were simply not available.

Because the Reichsbank's printing presses and note-distribution arrangements were insufficient for the situation, a law was passed permitting, under license and against the deposit of appropriate assets, the issue of emergency money tokens, or *Notgeld*, by state and local authorities and industrial concerns when the Reichsbank could not satisfy needs for wage payment.

Before long, the tide of emergency money entering local circulation, with or without the bank's approval, contrived enormously to raise the level of the sea of paper. As the ability to print money privately in a time of accelerating inflation made possible private profits only limited by people's willingness to accept it, the process merely banked up the inflationary fire to ensure a bigger blaze later on.

The mark continued to plummet, but the chancellor would accept no connection between printing money and its depreciation. Indeed, it remained largely unrecognized in the cabinet, bank, parliament, or press. The *Vossische Zeitung* declared:

The opinion that the flood of paper is the real origin of the depreciation is not only wrong but dangerously wrong. ... Both private and public statistics have long shown that for the last two years the interior depreciation of the mark is due to the depreciation of the rate of exchange. ... It should be remembered today that our paper circulation, although it shows a terrifying array of millions, is really not excessively high...

British ambassador Lord D'Abernon described these remarkable views as "far from exceptionally retrograde," and in fact typical of enlightened Berlin opinion.

A liter of milk, which cost 7 marks in April 1922, by mid-September cost 26 marks. A Hesse professor lamented that month that teachers and men of science were no longer given the right to live, and many would probably die in the coming winter for lack of food and warmth. He feared that their sons, instead of following their fathers' careers, would by force of circumstances turn to manual labor: "Brains no longer have a marketable value. The result can only be a catastrophe for Germany and the downfall of civilization in central Europe, if not, indeed, the whole world..."

The suffering was acute, although worse was to come. Figures issued by the chief burgomaster of Pankow for 1922 showed that nearly 25 percent of the children leaving school were below the normal spread of weights and heights, and 30 percent were unfit to work for reasons of health. "Want," said the burgomaster's report, "is gradually strangling every feeling for neatness, cleanness, and decency, leaving room only for thoughts of the fight with hunger and cold."

The gold value of money in circulation, equivalent to nearly £300 million before the war, had by November fallen to £20 million. The more notes were printed, the lower the value fell. How the business of the country could be carried on with so small an amount of real currency mystified observers and accounted for mounting pressures on the bank to go on printing. Notes were held for as short a time as possible. Private-accounts checks were hardly accepted. Anyone receiving money for goods quickly converted it back into other goods, and the money never

stopped moving, doing the work of ten times the amount moving a tenth as fast.

The Reichsbank had proclaimed, and was now carrying out, a program of unlimited printing. More and more presses were employed, and by December the amount issued was limited only by the capacity of the presses and the physical fatigue of the printers. Lord D'Abernon reported to London: "The exchange market and the Reichsbank are like a runaway horse with an incompetent rider—each aggravates the folly of the other."

"By the end of the year," said Erna von Pustau, "my allowance and all the money I earned were not worth one cup of coffee. You could go to the baker in the morning and buy two rolls for 20 marks; but go there in the afternoon and the same two rolls were 25 marks. ... It had somehow to do with the dollar, somehow to do with the stock exchange—and somehow, maybe, to do with the Jews."

Bit by bit, the star of Hitler began to outshine the medals of Ludendorff. Economic salvation had become for most people the most pressing need. They were being turned from politics by the cost of living and low salaries. Hitler alone was capable of trimming his ship to every wind. The middle class was going Nazi.

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"Inflation is like a drug in more ways than one," remarked Lord D'Abernon. "It is fatal in the end, but it gets its votaries over many difficult moments." Hopelessly addicted, the Reichsbank ploughed on. By 1923, massive unemployment had come and inflation was pursued more rigorously than ever. Petty crime, the crime of desperation, was flourishing. Metal plaques on monuments had to be removed for safe-keeping. Lead was beginning to disap-



pear overnight from roofs, and petrol was siphoned from the tanks of motor cars. A cinema seat cost a lump of coal. With a bottle of paraffin, one might buy a shirt; with that shirt, the potatoes needed by one's family.

There were also stories of shoppers who found that thieves had stolen the suitcases in which they carried their money, leaving the money behind; and of life supported by selling every day a single link from a gold crucifix chain. A 5,000-mark cup of coffee would cost 8,000 by the time it was drunk.

In July 1923, Germany was introduced to a new range of banknotes: 10, 20, and 50 million marks. The political crisis had come to a head. When a printers' strike broke out, crowds with wheelbarrows surrounded the Reichsbank calling for banknotes. All that could be said about the currency was that it was still current, nothing having replaced it: but there was no measure of value and hardly a medium of exchange. On Sept. 1, the Reichsbank issued a note with a face value of 500 million marks.

The pervading uncertainty that had smothered the old national spirit was now the food of extremism. The most moderate persons declared that firmness—a strong hand—was required. Thus on Sept. 2, 1923, 100,000 demonstrators gathered for the Nazi rally at Nuremburg. Within the week, speaking five or six times a day, Hitler was calling for national dictatorship.

By the end of September, the government's control of the political, let alone the financial, situation was strained to the breaking point. So were the ministers: according to the Czech foreign minister they were so exhausted that they were incapable of real consideration of the problems, "the decision of which depends on which minister had the most sleep the night before." The proclamation of Sept. 19 threatening a

month in jail and unlimited fines to anyone who hoarded food or money, or prevented the paying of taxes, or impeded the distribution of food was a useless act of desperation: everyone, ministers included, was hoarding everything; no one made any effort to pay taxes; and the only impediment to the distribution of food was the lack of currency to pay for it.

On Sept. 26, Chancellor Stresemann suspended seven articles of the Weimar constitution, declared a state of emergency, and gave executive powers to the defense minister. The country was divided into seven military districts, with a local military dictator over each.

Here, perhaps, was the strong hand that Germans wanted. There could now be restrictions on personal liberty. The army and police might interfere at will with postal, telegraph, and telephone services, indulge in house searches, and confiscate property. Incitement to disobedience could be punished with imprisonment or a fine of up to 15,000 gold marks. If lives were endangered, the punishment could be penal servitude.

Inflation is the ally of political extremists, the antithesis of order. At other times—in post-revolutionary Russia, in Kadar's Hungary—it may have been engendered to destroy the social order, for chaos is the stuff of revolution. In Germany at this time, however, the inflationary policy was the consequence of financial ignorance, of industrial greed, and, to some extent, of political cowardice. Hitler set his hopes in 1923 on "the revolt of starving billionaires."

When Schacht was appointed commissioner for national currency on Nov. 13, he faced incredible disorder. During the previous ten days, expenditure had exceeded revenue by 1,000 times. The floating debt had increased 15 times. The budgetary estimates

included on every page the outrageous reminder that all figures were in quadrillions.

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The immediate basis of stabilization was not the closing down of the printing presses so much as the rigorous disciplining of state expenditure by the refusal of further credit to the government and by a return from a floating mark to a fixed parity against gold and the dollar. The government, having put the screws to the nation and made Schacht president of the Reichsbank for life, could do little but hope the cure would work.

Food began to appear again in the towns halfway through December. On Christmas Day 1923, Lord D'Abernon wrote of the "magical wand of currency stability." Sanity had returned to Germany's finances, and no doubt 1924, a period of extreme monetary stringency, consolidated the financial recovery. But it was too much to hope that years of reckless profligacy could be so easily paid for, or that what the country had passed through would have no lasting effects on the people's mind. The economic reckoning was still to come. "After a long devaluation," Schacht held on Jan. 24, 1924, "stability can only be regained at the cost of a severe crisis."

Germany's trouble was that the inflation boom had never been liquidated. The country that had undergone every conceivable form of collapse during the previous six years now crashed downwards just as she was beginning to rise from her knees. Confidence was shattered. The flow of foreign money slackened. The Reichsbank policy of credit restriction was maintained as firmly as ever to counteract a net outflow of gold and foreign exchange. There was such an alarming rise in the cost of living that to prevent agitation the index had to be cooked. Much

though public works were instituted to try to mop up labor, the unemployed figure passed 1,300,000 by December 1925, presenting the politicians' nightmare of 1922: unhidden mass unemployment that the policy of inflation had so largely been designed to avoid.

The scourge of inflation, it must be emphasized, followed the scourge of defeat in war, so that one must hesitate to affirm that the psychological trauma of the early 1920s would have been absent but for the insecurity that endless depreciation of the currency brought. National disintegration and social upheavals unconnected with the money supply, after all, are enough to promote ethical degeneration and contempt for old standards of behavior in any community. It remains the case that those who lived with or observed the process attributed what they saw first and foremost to inflation: fear, greed, immorality, demoralization, dishonor.

As the old virtues of thrift, honesty, and hard work lost their appeal, everybody was out to get rich quickly, especially as speculation could yield far greater rewards than labor. While the anonymous, mindless Reichsbank was prepared to be the dupe of borrowers, no merchant would have wished to let the opportunities for enrichment slip by while others were making hay. For the less astute, it was incentive enough, and arguably morally defensible, to take every advantage of the unworkable fiscal system merely to maintain financial and social position.

As that position slid away, patriotism, social obligations, and morals slid with it. The air of corruption was general. Democracy may have survived inflation, but there was little evidence of universal gratitude for that deliverance. Monarchism was the more popular creed, and it may be that the exposure of Germany's moral wounds—the financial scandals of the inflationary

years—contributed greatly to the strengthening of the disciplinarian side of the nation's character.

Where did the story end? More than any other thread that links the two world wars, the history of the inflation is a reminder that the second was an extension of the first. Inflation for Germany was an unwitting part of the process of stoking the emotional boilers for a resumption of hostilities when the power to wage war returned. Not only did the loss of former affluence and the destruction of the old moral ethic humiliate the human pillars of society: in German minds democracy and republicanism had become so associated with financial, social, and political disorder as to render any alternatives preferable when disorder threatened again.

With inflation alone, noted Günter Schmolders, can a government extinguish debt without repayment or wage war and engage in other nonproductive activities on a large scale: it is not recognized as a tax. Thus did Hitler resume deficit spending to finance armaments in 1938, and the experience begin again.

To say that inflation caused Hitler, or that inflation elsewhere could produce other dictatorships, is to wander into quagmires of irrelevant analogy. Comparable, coincidental circumstances in Austria and Hungary do not support such a notion. On the other hand, the vast unemployment of the early 1930s gave Hitler the votes he needed, and it is indisputable that in the inflationary years, Hitler first tried his fingers for size on the throat of German democracy. Inflation did not conjure up Hitler, but it made Hitler possible.

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Money is no more than a medium of exchange. Only when it has a value acknowledged by more than one person can it be used. Once no one

acknowledged it, the Germans learnt, their paper had no value. The discovery that shattered their society was that the traditional repository of purchasing power had disappeared and that there was no means left of measuring the worth of anything. For most, degree of necessity became the sole criterion of value, the basis of everything. Man's values became animal values.

When life is secure, society acknowledges the value of luxuries, those enjoyments without which life can proceed but which make it much pleasanter. When life is insecure, values change. Without warmth, a roof, or adequate clothes, it may be difficult to sustain life for more than a few weeks. Without food, life can be shorter still. At the top of the scale, the most valuable commodities are water and air. For the destitute in Germany, whose money had no exchange value, existence came very near these metaphysical conceptions. It had been so in the war. In *All Quiet on the Western Front*, Müller died "and bequeathed me his boots—the same that he once inherited from Kemmerick. I wear them, for they fit me quite well. After me, Tjaden will get them: I have promised them to him."

In war, boots; in flight, a place in a boat may be the most vital thing in the world, more desirable than untold millions. In hyperinflation, a kilo of potatoes was worth more than the family silver. A prostitute in the family was better than an infant corpse; theft was preferable to starvation; warmth was finer than honor; clothing more essential than democracy; food more needed than freedom. ■

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# Deflated Expectations

When fear of falling prices becomes a self-fulfilling prophecy

By George Selgin

LET'S BEGIN WITH A LITTLE word association. Here goes: "deflation." Let's see: default, panic, crisis, credit crunch, layoffs, foreclosures, unemployment, recession, depression ... Great Depression.

Now there was a deflation. Between the October 1929 stock market crash and FDR's inauguration in March 1933, the general price level fell 25 percent, while wholesale prices fell a whopping 37 percent. As prices dropped, so did employment: by the time prices reached bottom around March 1933, a quarter of the U.S. labor force was out of work. Nor did falling prices help the economy to right itself. Instead, the deflation only seemed to make things worse, in part by increasing the burden of debt. The lower prices went, the more the real value of every dollar owed went up. Defaults piled up, causing more banks to fail, making credit even scarcer, which meant that there was even less money around, so prices had to fall further. Economists call this a debt-deflation spiral, and they agree that it's the last thing an economy needs.

Not surprisingly, the U.S. emerged from the trauma of the Great Depression with a severe case of deflation anxiety that still has us in its grip. Fear of falling prices is so great that the inflation rate has only to dip below 2 percent—a rate at which prices would still double in 36 years—to get pundits chanting about economic collapse and the Fed's Board of Governors stoking money into the economy like their lives depended on it.

Needless to say, if the inflation rate ever manages, despite the Fed's efforts, to fall below zero, utter panic takes hold. So when the Bureau of Labor Statistics reported negative monthly inflation three times in a row starting last October, the press went to town with reports of gloom and doom, and the Federal Reserve Board took the unprecedented step of giving money away by lowering the federal funds rate—the overnight rate for inter-bank loans—all the way to zero. Who can blame it? After all, the circumstances surrounding the recent deflation bear an eerie resemblance to those surrounding the downward plunge of the early 1930s, with falling prices going hand-in-hand with declining sales and rising unemployment and loan defaults. These events are precisely the things that can fuel a downward economic spiral—which the Fed is supposed to prevent.

And yet, for all the harm it has done, and might still do, deflation gets a bad rap. Although the Fed and other central banks don't seem to realize it, deflation isn't always as dangerous as it was in the 1930s. There's another kind of deflation that can actually be a good thing. And when central banks stand in the way of this good sort of deflation, the results can be disastrous. The current bust is a case in point.

We'll come back to that. But first, some more word association. The word this time is "innovation." How about research and development, new technology, efficiency gains, cost-cutting, price-cutting ... deflation.

Yes, deflation again. But this isn't the bad deflation of the 1930s. It comes not from consumers having less money to spend but from them being confronted with more to spend it on. "Bad" deflation happens when demand shrinks; "good" deflation happens when supply expands.

The difference between the two sorts of deflation couldn't be more basic. Most people grasp it without a hitch. Unfortunately, economists seem to be the exception, perhaps because of their obsession with the Great Depression and zeal to avoid repeating it. Nor has their understanding been aided by the fact that none of them has ever actually witnessed the good sort of deflation.

Yet good deflation isn't just hypothetical. For much of the 19th century, when the gold standard prevented central banks from printing money willy-nilly, prices fell more often than they rose, and people considered that tendency to be perfectly natural. After all, technology was improving, so goods cost less to produce. Why shouldn't prices reflect that reality? From 1873-96, for instance, prices in most gold-standard countries fell at an average rate of about 2 percent a year, while real output grew at correspondingly healthy rates of between 2 and 3 percent, thanks largely to productivity gains. That isn't to say that there weren't occasional crises—there were, and some involved a dose of bad deflation, driven by temporary lulls in lending and spending. But the general trend of spending was up, while the downward trend of prices remained within



the bounds of underlying productivity gains and was for that reason perfectly benign: businesses could afford to sell their products for less as long as it was costing less to make them.

Of course technological improvements didn't come to a halt, much less give way to technological backsliding, after the 1930s. On the contrary, the post-Depression era has been witness to some of the U.S. economy's most dramatic productivity gains. Yet the Consumer Price Index, instead of falling along with those gains, has risen dramatically and with scarcely a break. Even 2008 saw a slight rise in the CPI, despite the last several months' deflation, and if 2009 turns out to be a deflationary year, it will be the first since 1954. Whatever else is driving price movements, it's no longer underlying changes in real unit production costs.

The complete disconnection of price movements from underlying real cost changes in modern times is a measure of contemporary monetary authorities' laxness when it comes to preventing inflation, combined with their refusal to acknowledge the theoretical possibility of a benign deflation. That denial rests on sloppy economics that insist on conflating the consequences of good, supply-driven deflation with those of its bad, demand-driven counterpart.

Many experts insist, for example, that to allow any deflation is to risk putting people out of work because "sticky" wages and salaries will fail to keep pace with falling prices, causing rising labor costs to put a squeeze on employers. That's a fine argument against bad deflation. But if output prices only decline when goods are being produced more efficiently, there's no need for wages and salaries to fall along with them. On the contrary, productivity gains mean higher real wages and salaries in equilibrium, and the easiest way to achieve that equilibrium is to leave wages alone

while letting the price level fall. When output prices are held up instead, money wages and salaries have to rise.

Next, consider the claim that deflation, or at least unexpected deflation, rewards creditors at the expense of debtors, increasing the likelihood of foreclosures. That's true enough for bad deflation, when earnings are shrinking all around: with fixed loans to pay, something has to give, usually the loan payment. But the same isn't true for good deflation. After all, if prices are falling because goods are becoming more abundant, why shouldn't creditors get to enjoy that along with other income earners? Imagine that the extra goods drop like manna from heaven, with debtors and creditors grabbing like shares. What cause do debtors have for regretting the loans they negotiated? None at all. So far as theory can predict, if everyone had anticipated the falling price of manna, the terms of lending would have been no different. The debtors end up with more than before, but so what? The creditors can afford it.

Then there's the claim that, if they permit deflation, the monetary authorities risk working themselves into a corner, like the present one, with short-term lending rates bottomed out at zero and no scope for any further easing of credit, at least by conventional means. That scenario raises the specter of an invincible deflationary spiral. But here again, while that's plausible enough when bad deflation is in play, it's quite implausible when all that's happening is good deflation because a good deflation rate never exceeds an economy's rate of productivity growth, and that rate itself sets a lower bound to equilibrium real rates of interest. It follows that as long as only good deflation is permitted, equilibrium nominal lending rates—real rates minus any anticipated deflation—never venture south of zero.

In sum, there's no reason to fear good deflation or confuse it with its bad cousin. On the other hand, there is reason to fear central bank policies that prevent good deflation—especially those that cause prices to go up while production costs are going down. Such efforts trigger booms and busts.

Whenever productivity advances, so must real earnings. It follows that if output prices aren't allowed to go down, input prices must go up. The same money creation that serves to prop up the prices of goods also puts upward pressure on the prices of labor and other factors of production. But as deflation-bashers never tire of reminding us, input prices are "sticky." This means that, in the short run, money being pumped into the economy serves not to raise wages but to boost profits. And high profits, if projected into the future, boost asset prices. Yet the high profits aren't sustainable because, although speculators may not know it, they are due to give way to higher costs. Voilà—a boom-bust cycle, and one that's likely to catch investors off guard because the boom takes place in a setting of low inflation.

If this sounds familiar that's because the Fed has taken us through three such cycles in a row, starting with the Reagan boom of the mid-'80s, followed by the dot-com boom of the '90s, and ending with the current catastrophe. Besides being the worst of the bunch, the latest episode comes with its own ironic twist, for it illustrates how, by insisting on thwarting good deflation, a central bank can end up inadvertently provoking deflation of the very worst kind. This brings us to the moral of the story: a little good deflation every day helps keep bad deflation away. ■

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# Fed Up

The popular uprising against central banking

By Thomas E. Woods Jr.

THE WAY RON PAUL TELLS IT, his more than 30 years of speaking and writing about money, inflation, and the Federal Reserve System attracted only limited interest outside libertarian and constitutionalist circles. The subject, and Paul as its spokesman, were scarcely to be found in the media, even—or perhaps especially—on the business networks.

But Paul's 2008 presidential bid changed that. Suddenly the Fed was on the table for discussion for the first time since Congress established it in 1913. With Paul making the evils of central banking and fiat money a theme of his campaign, the issue took on a vigor that few expected. Even calling for the Fed's outright abolition was longer unheard of on the television news networks.

When Paul first raised the issue in his campaign, he had no idea what he was tapping into. "I didn't realize people your age knew so much about money and inflation," he told a rally at the University of Pittsburgh last year. "But it gets the largest applause at college campuses. I figured the first time it happened [at the University of Southern California] it was an accident. ... But then at the University of Michigan, they started to burn Federal Reserve Notes."

To Paul's surprise, some of his loudest applause lines involved salvos against the Fed. Chants of "End the Fed!" greeted his denunciations of the economic damage the central bank was unleashing. An underappreciated reason for Paul's fundraising prowess was his outspoken opposition to the Fed, a subject that had long been off limits in American politics. Eventually, a national

organization called End the Fed, with local chapters around the country, gave institutional expression to the issue, sponsoring a series of demonstrations against the central bank in 39 cities last November.

This is a new phenomenon on the Right. The libertarian and conservative think tanks that liberally invoke the names of Austrian School economists like F.A. Hayek have tended to ignore these men's opposition to central banking, a position too politically incorrect even for those who pride themselves on their willingness to defend unpopular positions. The Ludwig von Mises Institute and the Foundation for Economic Education have been among the handful of exceptions to this rule, providing the scholarly infrastructure to convert what was sometimes an inchoate unease about the Fed among Paul supporters into well-honed arguments.

Unlike in the past, moreover, commentators with high media profiles now defend this view of money and central banking. Peter Schiff, president of Euro Pacific Capital, may be the best known of these. Schiff foretold the crisis before it happened, including the bankruptcy of Fannie Mae and Freddie Mac. His books *Crash Proof* and *The Little Book of Bull Moves in Bear Markets*, both of which have sold well, take an Austrian approach to current conditions. A grassroots movement is even trying to draft Schiff, a resident of Connecticut, to run for U.S. Senate against Chris Dodd in 2010.

Schiff isn't alone. Famed investor Jim Rogers calls for the abolition of the

Fed when he's a guest on business networks. Indeed, he predicts the Fed's demise sometime in the next ten years. Another Austrian analyst all over television and the print media is James Grant, editor of *Grant's Interest Rate Observer*. Similarly high-profile is Mish Shedlock, whose Global Economic Trend Analysis blog takes a reliably anti-Fed position.

It's not surprising that arguments against the Fed are finally resonating. Since the crisis began in 2007, Fed Chair Ben Bernanke has engaged in all manner of emergency activity, much of it unprecedented and of such dubious legality that even some of those who may reject or be unfamiliar with arguments against the Fed have begun to wonder about the unaccountable power this institution wields over the economy.

For example, John Hussman of Hussman Funds accused the Fed of going beyond its legal boundaries when it offered a \$30 billion "non-recourse loan" to J.P. Morgan, which was secured by the worst of Bear Stearns's mortgage debt. The Fed is supposed to provide liquidity to the banking system or shore up the solvency of a non-bank institution. This loan was neither. J.P. Morgan was in no financial trouble: it was "effectively offered a subsidy by the Fed at public expense."

Shedlock is even more blunt: "The Fed simply does not care whether its actions are illegal or not. The Fed is operating under the principle that it's easier to get forgiveness than permission. And forgiveness is just another means to the desired power grab it is seeking."

The most significant argument against the Fed, though, is not political but economic. The Austrian view is that a central bank is not merely unnecessary but harmful. There is no need for a monopoly institution, by means of artificial money creation, to prevent the natural and healthy phenomenon of falling prices. There is likewise no need for a “lender of last resort” for the banking industry any more than for the personal computer industry or the shellfish industry. As long as the banking system is run on sound principles—an unlikely outcome, while there is a central bank with powers to prop up unsound banks—there is no reason for the bankruptcy of one or two major banks to provoke a systemic crisis, as can happen under the Fed system.

Then there are the problems that stem from artificial money creation. Not only do people on fixed incomes suffer from the rising prices that increases in the money supply bring about, but the process of money creation inevitably enriches politically well-connected groups at the expense of everyone else. The powerful are in a position to receive the newly created money first and spend it before prices have commensurately risen. Still other problems are discussed in the major Austrian treatments of money, including Mises’s *Human Action* and Murray Rothbard’s *The Case Against the Fed*.

Under a commodity standard, people could save for the future by accumulating gold and silver coins. The coins’ value appreciated over time because of their natural increase in purchasing power, as the relatively slow increase in the production of precious metals was outpaced by the much faster increase in the production of other goods and services. Today, only a fool would try to save for the future by piling up dollar bills. Everyone is forced to enter the financial mar-

kets, which are risky even for knowledgeable investors, in order to prevent the value of his retirement savings from vanishing before his eyes.

Austrian business cycle theory, which Paul has made a point of explaining, blames the central bank for the boom-bust cycle. (And yes, it can also account for financial panics that occurred before the Fed was established.) Under fiat money, currency without commodity backing, the central bank can artificially lower interest rates by increasing the supply of money—and thus the funds banks have available to lend—through the banking system. This is supposed to stimulate the economy. What it actually does is mislead investors into embarking on investments that the artificially low rates seem to validate but that cannot be sustained under existing economic conditions. Unprofitable investments are made to seem profitable, and over time the result is the squandering of untold resources in lines of investment that should never have been begun.

If lower interest rates are the result of increased saving by the public, those greater saved resources provide the means with which to see the additional investment through to completion. But the situation is very different when lower interest rates result from the Fed’s creation of new money out of thin air. In that case, lower rates do not reflect an increase in the pool of savings from which investors can draw. Fed tinkering, in other words, does not increase the real stuff in the economy. The additional investment that the lower rates encourage therefore leads the economy down a path that is not sustainable.

That is how the Austrians knew the present bust was coming. The preceding boom had been based not on real factors but on bubble conditions created by the Fed’s artificial credit expansion. It had to end in a bust, as Mises and Hayek

said. That’s also what they said in 1928 and 1929, as respectable opinion hastened to assure everyone that business cycles were a thing of the past.

To be sure, while the Fed is slowly but surely becoming an issue for discussion in politics and the media, as yet only a small segment of the population opposes—or indeed knows much about—the central bank. But because this issue is one about which most Americans are lethargic or uninformed, that small and growing segment can influence public life on a scale out of proportion to its numbers. And the presence of this once-excluded point of view makes it harder for the regime to pretend that economic crises have no cause, that no person or institution is to blame for them, and that the federal government and its central bank have the solutions.

Paul is said to be finishing a book on the Federal Reserve for 2009 release. If it should become a bestseller, the profile of the anti-Fed campaign will be raised still higher.

The End the Fed movement likewise is pressing forward. Organizer Steven Vincent says the group is coordinating a series of rallies in 40 cities on April 25, to be followed by an event at the National Press Club at which they will present the fruits of their nationwide petition campaign in support of Congressman Paul’s Federal Reserve Board Abolition Act.

As the economic crisis continues to worsen, it will become harder and harder to portray old-school Keynesianism as “change,” and the potential audience for the Austrian message will only grow. That, one hopes, is a silver lining to the disaster the Fed has unleashed. ■

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# Experience Over Hope

You've got to watch your step in my household. I do, at any rate. On Jan. 20, at about 12:40, I rang my wife at home and asked, "You watching this?" She said that she was.

"That speech, eh?" I said, preparing for a sneer and a jeer. "We will roll back the specter of a warming planet.' What's that about?"

"I liked the speech," she said coldly. "I thought Obama was good."

"Oh, right," I said.

Later that evening, however, I had another try. My wife had just returned from choir practice, and we were watching a news summary. There was The Speech again.

"Blimey," I said. "What cod Biblical rhetoric. No, what cod 18th-century..."

She gave me a warning look. "I like it," she said.

Ours is a mixed marriage. My wife is an American. At college she would sometimes hang with the SDS crowd, and once, many years ago, she called me a "12-year-old knee-jerk fascist," which was about right. Since then we have moved on and occasionally share a position in the extreme center. We both liked Ron Paul and Mike Huckabee and, with caveats, Ralph Nader. Neither of us ever liked, to put it mildly, Hillary Clinton or Rudy Giuliani.

But Obama has appealed to the better angels of Mrs. Reid's nature, and I fear that it will be some time before I can express myself freely—that is, with savage disregard for truth, moderation, and decency—on the matter of America's King of Cool.

It's not just my wife, either. In the public square the love for Obama is palpable, and you can see why. By wasting no time in ordering the closure of Guantanamo Bay and the ending of rendition

and enhanced interrogation, he has shown that he wants to give peace a chance, and who doesn't? But it seems clear he is going to give war a chance, too. What we have here, surely, is another imperial presidency. From London, at any rate, it looks as though it is going to be business as usual—unless the slump reduces us all to barter and cannibalism. If that happens, Obama will be so busy putting down local insurrections that he'll have to leave our colonial possessions to muddle through on their own.

It is precisely the imperial aspect of the Obama administration that appeals to many so-called conservatives in Britain. These people—radical liberals who five years ago were right behind George W. Bush—are often quite soppy about the new president. Even as Obama waited to place his hand on Abe's Bible, the recovering hawk Iain Martin was waxing almost tearful on the *Daily Telegraph* website about a man he considers "at core a leftie" (if only...):

The pictures from Washington DC are hypnotic. The excitement ... is contagious. [Colleagues] have told their young children to watch the great moment in the hope that they can remember it in 70 years or so when most of us will be gone. ... One of the greatest nations on earth is in the process of demonstrating once again its extraordinary capacity for regeneration, renewal and reinvention.

The one issue that is not an issue here is abortion. Very few on Britain's radical Right—or anywhere else for that matter—are troubled by Obama's decision to overturn the ban on federal funding for overseas agencies that provide abortions. Most of these people, furthermore, will be delighted when the president renews funding for embryonic stem-cell research. In other words, most Britons who call themselves conservatives have no interest at all in the only feature of the Bush years that was actually conservative.

And now comes the scary bit. I find myself warming to the former president, feeling protective of him. The booing of Bush at the inauguration was sickening, the smugness on the liberal Left intolerable. "The nightmare is over!" said Jon Snow, anchor of Channel 4 News. You'd never guess from the response of the great and the good, the well-educated and the nicely dressed, that the United States is a democracy and that, hanging chads notwithstanding, Bush was twice elected president. You'd think there'd been a massive campaign of civil disobedience and that a brutal tyrant had been thrown out.

I can hardly believe I am saying this. I have spent much of the past seven years bad-mouthing Bush. I was against the war on terror from the moment the first plane flew into the World Trade Center. I have always loathed Bush's chippy swagger, his inappropriate John Wayne salutes, and his frat-boy smirk. Trickiest of all is that I consider him to be a war criminal, objectively speaking anyway. The big question now is: can Mrs. Reid learn to live with a man who has abandoned all claims to moral and intellectual consistency? The next four years will tell. ■

# Bibi's Guns

"Where there is no solution, there is no problem," geostrategist James Burnham once wryly observed.

Ex-Sen. George Mitchell, the latest U.S. negotiator to take up the Palestine portfolio, may discover what Burnham meant. For Israel's three-week war on Gaza, where Palestinians died at a rate of 100 to one to Israelis, appears to have been, like Israel's wars in Lebanon, another Pyrrhic victory for the Jewish state.

In 1982, after an attempted assassination of their ambassador in London, Menachem Begin and Ariel Sharon drove through Lebanon to Beirut, shelling the city for weeks until Arafat agreed to pull out the PLO and depart for Tunisia. The Israelis' triumph quickly turned to ashes in their mouths.

Weeks of bombarding Beirut turned world opinion against Israel. Defense Minister Sharon was savaged for enabling a massacre in the Sabra and Chatilla refugee camps. Most critically, as future Israeli Prime Minister Yitzhak Rabin ruefully observed, in invading a quiescent south Lebanon, Israel "let the Shia genie out of the bottle."

South Lebanon became Indian country. Hezbollah, born of Israel's invasion, would, 18 years later, force a bleeding Israel Defense Forces (IDF) and its Lebanese allies out of the country, turning Israel's once-friendly northern border into a new battlefield in the Arab-Israeli war.

Moreover, the Americans, persuaded to send Marines to train the Lebanese Army, were punished with terrorist bombings of the U.S. embassy and Marine barracks at Beirut airport, with 241 U.S. dead.

President Reagan would withdraw, and the Americans never came back.

In 2006, Ehud Olmert used the border ambush of an Israel patrol and the kid-

napping of two soldiers to launch a second Lebanon war.

Hezbollah lost hundreds of fighters, but its stature soared as it became the first Arab force to fight Israel and emerge unbroken and unbeaten. And the thousands of Hezbollah rockets that rained down on the Galilee destroyed forever the myth of Israeli invulnerability.

Now, in the aftermath of the war on Gaza, which almost all in Israel supported, come the second thoughts. Of 1,400 dead from air strikes and invasion, one-third were Palestinian children. Al Jazeera's video of the dead and dying civilians, juxtaposed with a video of Barack Obama enjoying a round of golf in scenic Hawaii, were devastating for the U.S. image as the U.S. weapons used by Israel to deliver the death and destruction.

Like Hezbollah, Hamas has emerged more entrenched, while the moderates like Mahmoud Abbas are portrayed as Quislings. Now a rift has appeared between Obama, who has called for a lifting of the Israeli blockade of Gaza to allow aid and commerce to flow freely, and an Israel determined to maintain its chokehold on Hamas.

In none of these three wars was the Israel Air Force challenged or the IDF defeated. In casualties, Hezbollah and Hamas, Lebanese and Gazans, all suffered many times more dead and wounded.

Yet looking back, were any of these wars necessary? Did any make Israel more secure than when the Lebanese border was quiet? Does the future look brighter today than in 1982, after the peace with Egypt and withdrawal from Sinai, before the war on Beirut?

Three months before launching the Gaza war, Olmert told two journalists that Israel, to achieve lasting peace, would have to return the Golan Heights to Syria and almost all of the West Bank to the Palestinians, and give East Jerusalem back to the Arabs who live there.

"In the end, we will have to withdraw from the lion's share of the territories, and for the territories we leave in our hands, we will have to give compensation in the form of territories within the state of Israel at a ratio that is more or less 1:1."

"Whoever wants to hold on to all of (Jerusalem) will have to bring 270,000 Arabs inside the fences of sovereign Israel. It won't work." No, it won't.

Like Rabin in 1994 and Barak in 2000, two of the most decorated soldiers in Israel's history, Olmert had concluded, late in life, that it is either land for peace, with all its risks, or endless war for Israel.

Yet after that interview, he launched the December blitz and invaded Gaza, killing and wounding 5,000 Palestinians, making of the Strip a zone of permanent hatred and making Hamas, whom he sought to dethrone and undeniably wounded, even stronger.

Enraged that Hamas was not destroyed or disarmed, Israelis are leaning toward the Likud Party of "Bibi" Netanyahu, who opposed the withdrawal from Gaza, opposes a withdrawal from the West Bank, will never share Jerusalem, and calls Gaza "Hamastan."

Should he win, a Bibi-Barack collision appears inevitable. Backing Bibi will be the Israeli lobby, the Evangelicals, the neocons, and a Congress that could find only five members to oppose a resolution endorsing all the Israelis had done and were doing to the people of Gaza.

Where there is no solution there is no problem. ■

# Life for March

In the age of Obama, the anti-abortion movement has nowhere left to go.

By Michael Brendan Dougherty

A MONTH BEFORE his death, Fr. Richard Neuhaus said, “Whatever else it is, the pro-life movement of the last thirty-plus years is one of the most massive and sustained expressions of citizen participation in the history of the United States.” Neuhaus neglected to mention that the pro-life movement has endured for so long precisely because it has failed. On Jan. 22, the March for Life turned 36 years old. In that time, Republican presidents have appointed eight Supreme Court justices, but *Roe v. Wade* remains law.

The annual demonstration attracts nearly 200,000 abortion opponents to Washington, where the atmosphere on the National Mall shifts between hope and outrage, occasionally tumbling into the macabre. Ray Miller, who drove in from Annapolis, Maryland, wore a black robe and carried a plastic scythe in his right hand. In the other, plastic chains with severed doll parts painted red. From behind his Grim Reaper mask Miller explained in a nasal voice, “I found that this costume most concisely gets across the message that abortion kills babies.”

Nearby, the Sisters of Life, a community of nuns dedicated to protecting the unborn, prayed the Rosary. A choir from Liberty University rehearsed their hallelujahs. Some of the homemade signs were splattered with fake blood, others wryly announced, “Technically You’re Just a Blob of Tissue.” One group passed out buttons asking, “What the FOCA?”—a reference to the Obama-supported Freedom of Choice Act, which would overturn nearly all restrictions on abor-

tion. Parochial schools like Christendom College canceled all classes to allow students to demonstrate.

For the past eight years, George W. Bush has addressed the march by phone, a gesture some activists privately considered offensive but publicly greeted with applause. Under the new administration, injury has been added to insult. Marchers expected the new president to meet their protest with an executive order overturning the Mexico City policy, which prevented U.S. tax dollars from funding overseas abortions. That blow fell the following day.

Yet the speakers and marchers were surprisingly gentle on Obama. Pastors pleaded from the dais for him to reconsider his support of legal abortion. Priests and rabbis quoted Obama’s inaugural rhetoric, saying that the unborn also deserve “the God-given promise that all are equal, all are free” under our laws. Over and over, speeches asked how he could remain true to his commitment to civil rights and deprive unborn children of the right to life.

The effect of this on the conscience of the new president is unknowable. But one member of the Supreme Court has made it clear that the march will never influence his decision. In his dissenting opinion in *Casey v. Planned Parenthood*, which reaffirmed *Roe*, pro-life justice Antonin Scalia wrote:

I am as distressed as the Court is .. about the ‘political pressure’ directed to the Court: the marches, the mail, the protests aimed at inducing us to change our opin-

ions. How upsetting it is, that so many of our citizens (good people, not lawless ones, on both sides of this abortion issue, and on various sides of other issues as well) think that we Justices should properly take into account their views, as though we were engaged not in ascertaining an objective law, but in determining some kind of social consensus. The Court would profit, I think, from giving less attention to the fact of this distressing phenomenon, and more attention to the cause of it. That cause permeates today’s opinion: a new mode of constitutional adjudication that relies not upon text and traditional practice to determine the law, but upon what the Court calls ‘reasoned judgment,’ ... which turns out to be nothing but philosophical predilection and moral intuition.

Protest movements are never dispassionate, and the March for Life gushes with emotion. As it ended near the Supreme Court building, woman after woman came up to explain why she regretted her decision to have an abortion. Their horrific stories brought tears to the crowd; their demands for “real change in Washington” brought nodding and applause.

The ease with which pro-lifers adopt Obama’s words shouldn’t surprise anyone. While the movement is a conservative social movement, dedicated to protecting the family from internal breakdown, it is also a liberal political movement, making the case for equal treat-



ment under the law. This emphasis on egalitarianism draws from the same progressive traditions informing Obama's rhetoric.

At the March for Life, conservative Rep. Jeff Fortenberry (R-Neb.) compared the pro-life movement to the historic liberal campaigns to extend equality: "You are the new abolitionists. You are the new civil-rights movement." At a Vigil Mass before the march, Philadelphia's Cardinal Justin Rigali also took an anti-discrimination approach, demanding respect for human life "regardless of age, physical or mental ability, or stage of development." The embrace of liberal arguments and tactics caused Neuhaus to wonder, "Is it not odd, then, that the pro-life movement is viewed as a right-wing cause?"

As a liberal political movement focused on jurisprudence, activism, and ballot initiatives, the pro-life movement has obtained modest restrictions on abortion that have helped to reduce its incidence in America by nearly 25 percent since 1990. The movement has also limited the moral coercion involved in abortion by restricting the use of tax dollars for the procedure with the Hyde Amendment and protecting pro-life doctors with conscience laws. Yet these hard-fought successes are jeopardized by the new administration's promise to undo them all with the Freedom of Choice Act.

And as a conservative social force, restoring the habits of the "culture of life," the pro-life movement is failing. While teenage illegitimacy is down, overall illegitimacy is climbing quickly. Taboos against premarital sex have long vanished. The sexual revolution is advancing to redefine the family in law. Medical scientists largely ignore the movement's moral objections to embryo research.

For many pro-lifers, there is no separating the two sides of the debate. Last year

Kristi Burton led a campaign in Colorado to extend the legal definition of person to include the unborn from the moment of fertilization—a liberal, civil-rights based approach that would criminalize most abortions. The initiative received just 27 percent of the vote. But Burton appeared at Washington conferences throughout the week of the march to sell other activists on her strategy because it provided opportunities to reach people personally. She has heard from dozens of Colorado women who decided not to terminate their pregnancies as a result of her campaign. Burton says, "We put the truth out there, and people's lives were changed. Lives were saved."

The internal divisions of the pro-life movement between conservative and liberal approaches can be difficult to untangle. The strident American Life League, which champions Burton's strategy, is generally considered ultra-conservative, even as it makes "nondiscrimination" and "equality" its primary goals. Meanwhile, the more moderate-seeming incrementalists advocate a conservative, law-and-order approach to the issue, arguing for parental-consent laws and gradually building legal consensus for other restrictions on abortion.

In addition to these internal contradictions and turf battles, pro-lifers are stymied by a complicated, perhaps abusive, relationship with Republicans. The putatively pro-life party hasn't delivered the goods. Shaun Kenney, the executive director of American Life League, complains, "We had a Republican White House and Republican Congress and the government is still funding Planned Parenthood? After Bush picked Harriet Miers, his popularity never got above 40 percent because he promised pro-life judges." He insists that pro-lifers are committed to only one goal: "The sole issue is this: we want abortion ended. That's it. All other issues boil down to practical insignificance."

But Kenney's own political analysis reveals that even the most committed pro-life activists are rarely single-issue voters. Asked whether Bush's unpopular handling of the economy or foreign policy could have grievously hurt the GOP and indirectly set the pro-life movement back, Kenney avers that the "people who didn't like the war always opposed the president." If the war caused his unpopularity, Kenney argues, "then the surge, which is a wild success, should have reversed that." Further, Kenney admits it was understandable that some pro-life legislation was not passed because "obviously, the war on terror takes precedence."

At 36 years old, the pro-life movement is still energetic and indignant—and trapped. Every year of Republican rule has increased the suspicion that pro-lifers are the GOP's useful idiots. Planned Parenthood still received federal dollars, and Congress never stripped courts of their ability to overturn parental notification and conscience laws. A human life amendment was ditched for Social Security reform. And just one year of unified Democratic rule in the federal government may undo a generation of small victories for the movement's incrementalists at all levels. In desperation, pro-lifers may turn en masse to the "Personhood Now" strategy in an effort to impose a "culture of life" that the movement hasn't built consensus for in the opinions or lifestyles of its fellow citizens.

At the American Life League's conference on personhood following the march, Kenney admitted, "We're waiting for a leader." Unfortunately, Alan Keyes soon leapt to the stage and addressed the audience of about 100 people. He compared Obama to Cain, who killed his brother; to a "bad tree" in Christ's parables; and to Hitler. The small crowd cheered. Pro-lifers are waiting still. ■

# Homeland Offense

Washington contemplates deploying the Armed Forces for domestic law enforcement.

By Kelley Beaucar Vlahos

AMERICANS HAVE BECOME so inured to the sight of federal troops fighting fires, rescuing flood victims from rooftops, and engaging in drug interdiction on the border that few eyebrows were raised when news broke that 20,000 active-duty infantry would soon be deployed on American soil for so-called homeland defense.

But critics say this development—announced by U.S. Northern Command (NORTHCOM) in October—is unprecedented and further evidence of a military mission-creep into domestic affairs, particularly in areas for which the National Guard and Reserves are already suited.

“I don’t get it. I don’t understand why they are further encumbering active-duty brigades with this kind of mission,” says Winslow Wheeler, author of *America’s Defense Meltdown: Pentagon Reform for President Obama and the New Congress* and one of Washington’s few civilian experts on the Pentagon’s Byzantine budget. “It sounds like someone is expanding his empire.”

Pentagon officials say that having a permanent, ready-reaction force capable of responding to a catastrophic event—natural or manmade—is a sensible and necessary outgrowth of post-9/11 national security. But the move has constitutional experts, civil libertarians, and retired and active military scratching their heads. Politicians are now demanding answers, wondering how close the military is to violating the

Posse Comitatus Act, the 1878 federal law passed after Reconstruction to prevent federal troops from conducting domestic law enforcement. A separate Department of Defense directive prohibits the Navy and Marines from engaging in such activities.

“We were encouraging the Department [of Defense] to do something different than this,” says an aide to Sen. Patrick Leahy (D-Vt.). The chairman of the Senate Judiciary Committee thinks the federal government “jumped without weighing the pros and the cons,” while reacting to fears that the country would not be able to respond effectively to a future disaster. “[Leahy] asked for a briefing and is watching how it is being handled.” But like any expansion of Washington’s power, a dramatic reversal now seems unlikely unless President Barack Obama gets personally involved.

Meanwhile, the 3rd Infantry Division’s 1st Brigade Combat Team (BCT) is back from duty in Iraq and now training at Fort Stewart, Georgia as the Chemical, Biological, Radiological, Nuclear, High-Yield Explosive Consequence Management Response Force (CCMRF, pronounced “sea smurf.”)

Other forces will join these soldiers to form a total of four domestically garrisoned BCTs—or about 20,000 troops—by 2012, according to Pentagon spokeswoman Lt. Col. Almarah Belk. From here on, said Belk, CCMRF will have “unique training” in disaster recovery, with “equipment and personnel that

cannot be found anywhere else in the federal government.” She insisted that, in adherence to Posse Comitatus, the forces would not be enforcing the law.

“Their primary role is to augment the consequence management efforts of the first responders” at the state level, she told *TAC*. CCMRF won’t be called in unless requested by governors or if the president declares an emergency. That sounds justified, given fears of another 9/11-style attack and widespread disgust at how federal authorities reacted to Hurricane Katrina, but the last part—if the president declares an emergency—raises some flags.

“If you hand power over to a political official, the chances that it might be abused are better than not,” says *Salon* writer Glenn Greenwald, author of *Great American Hypocrites* and a former constitutional litigator. “The potential for mischief—even if it is not intended right now or there is no specific plan for abuse—is quite high if we allow the president to use the military for domestic purposes.”

Greenwald and others point out that there are safeguards such as Posse Comitatus—loosely translated from Latin, “the power of the country”—preventing troops from rolling into town, setting up checkpoints, and arresting people. Only three years ago, however, the Bush administration tried to broaden the criteria under which the president could invoke the 1807 Insurrection Act, allowing the executive

branch to override Posse Comitatus and declare martial law.

"These things don't happen in a vacuum," said Craig Trebilcock, an Army reservist and former JAG officer who shared his thoughts with *TAC* as a private citizen and attorney. The Bush administration's mindset, he added, was to chafe against "any significant restrictions on its use of active duty military forces in the continental U.S.—a tectonic shift from our previous history."

For nearly 200 years, the Insurrection Act held that the president could only declare martial law "to suppress, in a state, any insurrection, domestic violence, unlawful combination or conspiracy." That would seem broad enough, but in 2006 the Bush administration managed to push new language through the GOP-controlled Congress that added "natural disaster, epidemic or other serious public health emergency, terrorist attack or incident" to the conditions permitting the president to act.

The changes, buried in the massive Defense Authorization Act of 2006, passed with little dissent on Capitol Hill. After the Democrats recaptured Congress, however, Senator Leahy succeeded in repealing the amendments. It was, according to the senator's aide, "a bipartisan effort."

One tiny battle won, but observers say that the slow erosion of Posse Comitatus and other safeguards goes on—with the complicity of an incurious if not compliant citizenry.

The 9/11 attacks and the aggressive posture of federal authority advanced by the Bush administration convinced Americans that "the solution to any significant problem relies on military action," says Greenwald. "We place our faith now in the power of the executive to solve every potential problem. ... When you adopt that mentality, it makes sense, I suppose, to give the president and the military troops under his com-

**Egyptian intelligence has shared with the CIA information obtained from monitoring communications between its domestic Islamist group Gama'a al-Islamiyya and suspected al-Qaeda representatives.**

The latter suggest that Osama bin Laden will order an attack on the United States soon, partly to avenge Israel's assault on Gaza, partly to turn Barack Obama into "another George W. Bush." Gama'a, which renounced violence in 1998, wants a constructive relationship with the U.S. and is not willing to support al-Qaeda. It has proposed instead a six-month truce to examine the policies of the new U.S. administration. The Egyptians interpret this intelligence as a sign of weakness, that al-Qaeda is unable to act independently and is seeking surrogates. Gama'a was led in the 1970s by blind Sheikh Omar Abdel Rahman, who authorized the assassination of Egyptian President Anwar al-Sadat in 1981 and the first World Trade Center bombing in 1993. He is now in prison in the United States.



**British hacker Gary McKinnon is facing extradition to the U.S. on terrorism charges**

for breaking into the American defense and NASA computers and leaving messages such as "your security is crap," but he has won a delay in proceedings due to his health. McKinnon suffers from Asperger's Syndrome, and medical experts have testified that he might become suicidal if imprisoned here. The attorneys also argued that spending time in American prison in his condition amounted to "inhuman and degrading treatment" in breach of the European Convention on Human Rights. McKinnon hacked into the computers in 2001 in search of evidence of extraterrestrials, a stunt often attempted by UFOlogists in Europe and the United States who believe that the Pentagon has concealed evidence of alien visitors. The interest was shared by former CIA director James Woolsey, who ordered that confidential files be searched for UFO information. Woolsey is now a leading neoconservative domiciled at the Foundation in Defense of Democracy. No one seems particularly concerned that taxpayers' money is being wasted both in Britain and the U.S. to prosecute McKinnon.



**European states participating in Afghanistan's International Security Assistance Force will offer only a lukewarm response to calls by Barack Obama for more troops,**

largely because they have been reading the same depressing intelligence reports available to Washington. NATO intelligence assessments increasingly reveal that Afghanistan is a war that cannot be won. Obama's commitment to send 30,000 more U.S. troops to add to the 33,000 already in country is widely seen in European capitals as too little too late due to the massive corruption and deterioration of the political situation over the past seven years. In a bid to dispel any expectation of quick victory, Richard Holbrooke, Obama's recently appointed Central Asia emissary, has already warned that Afghanistan will be a long war. The Europeans have 27,000 troops in the country in addition to small numbers of special forces in a U.S.-led anti-insurgency force that operates under separate command, but most European contingents are "caveated," meaning they can fight only if attacked.

*Philip Giraldi, a former CIA Officer, is a fellow at the American Conservative Defense Alliance.*



mand even more domestic powers.”

In “The Myth of Posse Comitatus,” a paper Trebilcock wrote in 2000, before the war on terror, he said that Posse Comitatus “is a statutory creation, not a constitutional prohibition. Accordingly, the act can and has been repeatedly circumvented by subsequent legislation,” particularly since 1980, when militarization began in earnest in the largely unsuccessful war on drugs.

For the purposes of drug interdiction and immigration control at the southwest border, restrictions under Posse Comitatus were loosened to allow a wide variety of military surveillance, training, and support activities. Questions about the military’s role finally arose after camouflaged Marines shot and killed a U.S. citizen as he tended goats a mile from his home in Redford, Texas. Esequiel Hernandez Jr., 18, often carried a .22-caliber rifle to ward off coyotes. Patrolling Marines, participating in an antinarcotics effort, said they acted in self-defense, but a subsequent investigation indicated otherwise. None of the Marines was charged, but the government paid \$1.9 million to the family in a wrongful-death settlement.

The military was taken off the border, but it has since returned. The U.S. Coast Guard, which is not bound by Posse Comitatus, is also a major player. According to Thomas Schweich, a former Bush deputy secretary for international law-enforcement affairs, the Pentagon is “muscling in everywhere.” Writing for the *Washington Post* in December, he said the Pentagon runs “a big chunk” of the new Merida Initiative, a \$400 million antidrug effort out of the State Department that supposedly complements law-enforcement operations in Mexico, Central America, Haiti, and the Dominican Republic.

In some instances, the expanding military presence on Main Street in non-emergencies has raised alarm. In Decem-

ber, authorities got an earful when the Morongo Basin office of the California Highway Patrol announced it would be working with Marine Corps Military Police to conduct joint sobriety and driver’s license checks in San Bernardino County.

“What has High Desert residents confused is that they are not used to military police so far from the Marine base,” reported local news ABC affiliate KESQ,

## QUESTIONS ABOUT THE MILITARY’S ROLE FINALLY AROSE AFTER CAMOUFLAGED MARINES SHOT AND KILLED A U.S. CITIZEN AS HE TENDED GOATS A MILE FROM HIS HOME IN REDFORD, TEXAS.

suggesting that Posse Comitatus had been compromised. Not so, said Marine Lt. Thomas Beck: “We were not actively participating in enforcing any laws. We were just there to observe and observe only” in order to learn about conducting their own sobriety tests on base.

In other cases, residents seem indifferent. Last June, the 26th Marine Expeditionary Unit conducted urban-warfare exercises across central Indiana. According to a WRTV Channel 6 report, Indianapolis “surrendered” 26 sites, “a number of them public parks, where Marines plan to land helicopters and deploy troops.” The two-week training exercise included a force of 2,600 soldiers who fired weapons, conducted patrols, and reacted to ambushes “in an unfamiliar urban environment ... in the interest of national defense.” Three months earlier, the media castigated Toledo Mayor Carty Finkbeiner after he pulled the plug on similar maneuvers by a Marine Reserve unit in his city. Finkbeiner said that he hadn’t been informed until the Marines were on their way, and he “didn’t think it was a good idea.”

Federal officials have repeatedly said that the military operates within the law.

But they also point out that some key exceptions to Posse Comitatus allow the president to deploy the military for law enforcement to prevent future terrorist attacks and to respond to crimes involving nuclear, chemical, or biological incidents. So far, none of these exceptions has been invoked.

Federal troops certainly operate on U.S. soil today in numerous homeland defense, counter-drug, and civil-support

missions under NORTHCOM, but they have only been deployed under martial law ten times since 1957. Each instance involved the federalization of the National Guard to quell violence and unrest: troops shielded civil-rights protesters and students entering desegregated schools in the South and policed race riots following the assassination of Martin Luther King Jr., looting after Hurricane Hugo in the Virgin Islands, and the violence after the 1992 Rodney King decision in Los Angeles. In 1970, the Guard was federalized for the New York City postal strike. More than 1,000 troops delivered the mail.

Whether well-founded or not, fears abound that the new BCT assignments to the homefront foreshadow abuses of executive power; that a president could use the threat of terrorism or an actual attack to invoke the Insurrection Act and call in battle-hardened troops to suppress social disorder or political dissent.

“God forbid, if there were another terrorist attack, would they [CCMRP] be precluded from engaging in law enforcement? You don’t know that,” said Jonathan Hafetz, head of the American

Civil Liberties Union National Security Project, which has filed a series of Freedom of Information Act requests with various government agencies to learn more about CCMRF. "There was no public debate on this—it just sort of happened."

Greenwald argues, "The fact there is a legal framework shouldn't give anyone confidence that it will be adhered to. You obviously see that in many contexts over the years—illegal wiretapping, torture. Congress hasn't shown any interest in it at all."

Which brings us back to CCMRF. "What are the conditions under which they will come in? What's the trigger? How many will roll in? What is their essential task? That is the key to the puzzle," says retired Lt. Col. Richard Liebert, who has served on active duty, in the Reserves, and as a National Guardsman.

Like others, Liebert believes the National Guard is a better fit for domestic tasks and can just as easily be a crack force for nuclear, chemical, or biological response. "I argue, why do we even have a Department of Homeland Security when we have National Guard dealing with these issues? ... I had plenty of [Guard] students who were forming up chemical response units" before and after 9/11, he added.

The easy response is that the National Guard is too busy fighting in Iraq and Afghanistan. As Liebert points out, they are still rotating in and out like "Groundhog Day."

"What we have here is a little backward," adds Trebilcock. "We are sending the National Guard and Reserves overseas and taking the active duty out of combat fighting to remain here in the United States. What's going on?"

Over at the Pentagon, Belk says it doesn't work that way. She argues that active National Guard and reservists will eventually support much of the CCMRF

anyway. So in a sense, citizen soldiers, not full-timers, will constitute the domestic BCT's. "This is a 12-month kind of thing, so as the units rotate back into Iraq or Afghanistan, we will rely more on National Guard and Reserves," she says. In the meantime, DoD and the Department of Homeland Security have put together a task force "in order to enhance the states' capabilities to prepare for these catastrophic events."

"While I think it is perhaps a little unnerving to some that we would concentrate so much on the United States, I think it is just a cultural shift," she explains. "We should be prepared to protect, wherever we can, the homeland."

Greenwald says there are "conflicting signs" over how President Obama will handle the issue: "You look at his statements over the past year, and it is clear he has a real appreciation of the danger that comes from overreaching executive power." Yet he concedes, "It is extremely

rare for a president to get into office and look at ways to diminish his own power." And the new president has already appointed two military men to top civilian positions—retired four-star Marine Gen. James L. Jones as national security adviser and Adm. Dennis Blair as director of national intelligence.

The Pentagon maintains that it is not averse to questions from the ACLU or anyone else: "We welcome any debate that keeps us in check and ensures that civil authority rules the land," says Belk.

But citizens have reason to be wary. "No one likes to see people in military uniforms on the street in an armed capacity," notes Trebilcock. "We admire our military, but the country was founded on a principle of civilian control of the military, not military control of civilians." ■

*Kelley Beaucar Vlahos is a Washington, D.C.-based freelance reporter.*

# Dead Center

Without a vital Left or Right, politics has lost all principle.

**By Jack Ross**

ALMOST COMPLETELY ignored in the excitement over Barack Obama has been the collapse of the New Left revival that peaked between the Nader campaign of 2000 and the Dean campaign of 2003. For a time, with the anti-war movement burgeoning and a deeply unpopular Republican in the White House, the politics of the late 1960s seemed poised to return. Even Students for a Democratic Society revived. But

the moment quickly passed. This was more than the end of a fad—it was the death of a distinct American Left. Obama's mass following and the liberal blogosphere today are moved more by partisanship than ideology, and they have scarcely any sense of a political past. In other words, they have about as much connection to the historic American Left as the pioneers of the New Right had to the Old Right.

To say that Markos Moulitsas and Obama's liberal netroots represent the triumph of centrism may sound absurd—as absurd as arguing that Richard Viguerie and the 1970s New Right heralded victory for the political Establishment. But Murray Rothbard built a persuasive case for just that claim in a 1977 *Libertarian Forum* essay, “The New End of Ideology?” The title was a play on Daniel Bell's *The End of Ideology*, which celebrated the triumph of the liberal-democratic center—Truman Democrats and Rockefeller Republicans—in the 1950s. Rothbard considered the partisan divide that started to take shape in the late '70s to be a new end of ideology because it marked a) the final transformation of the American Right into what could be rightly called a conservative movement, characterized by a “drive toward Establishment respectability”; and b) the end of the New Left, in which he and other libertarians once staked a great deal of hope, as it rejoined the Old Left.

Rothbard described the New Right as “a coalition devoted to ... militarism at home and war abroad, repression of dissent in the name of ‘anti-Communism’ and ‘national security,’ moderate repression of racial minorities, especially Blacks, and State enforcement of ‘morality.’” None of this is usually thought of as a centrist platform. Yet the New Right also exhibited a “frank acceptance of a permanent Welfare State, except that it [should] be ‘moderate’ and ‘efficient.’” The New Right,

despite its hard-edged social views, posed no challenge to the welfare-warfare state. Rothbard thus argued that however radical their rhetoric, the populists of the 1970s Right actually served the Establishment.

As practical men, innovators in political organizing and communication whose zeal is easily mistaken for ideology—but who lack any rigorous philosophy—the titans of the liberal blogosphere today are analogous to the men who built the New Right. What Viguerie did with direct mail and grassroots mobilization, the liberal netroots now accomplish through online donations and websites like Daily Kos and Democratic Underground. And just as the New Right that helped elect Ronald Reagan in 1980 soon began to complain that he wasn't conservative enough, especially on social issues, there has been much aimless fury from liberal bloggers over Rick Warren giving the invocation at Obama's inauguration.

Comparisons with Reagan are instructive. For all the netroots fretting about Hillary Clinton as secretary of state, Obama seems to have drawn a line against the most egregious symbols of Democratic hawkishness, such as Madeleine Albright, Kenneth Pollack, and Michael O'Hanlon. Even in domestic policy, one is hard pressed to recall the last time the Democratic Leadership Council was in the headlines, and the architects of Clintonomics are now the disgraced architects of the financial meltdown. Yet those who say that the

Obama administration is centrist and pragmatic are not wrong. We have seen this paradox before: under Reagan, Rockefeller Republicans effectively vanished, yet the GOP could still credibly be accused of moderation by social conservatives and libertarians alike. The Brookings Institute-DLC axis has collapsed, like the Rockefeller Republicans, because centrism now reigns in the guise of ideological principle—conservatism then, liberalism now.

The parallels run in the opposite direction as well: what happened to the New Left in the 1970s illuminates changes on the Right today. Beginning in the 1990s, the so-called paleoconservative movement had been a source of inspiration to American radicals of all stripes, from libertarians like Rothbard to the Frankfurt School leftists of *Telos*. But now, much like the New Left of 30 years ago, paleocons are folding back into a larger and less radical movement. The promise of paleoconservatism seemed to crescendo and climax in recent years, most spectacularly in Ron Paul's 2008 presidential bid. In the wake of that campaign and with the rise of Barack Obama, however, the few remaining self-described paleoconservatives have begun to sound much like the rest of the Right.

“The new left, now physically older,” Rothbard wrote, “has, for all intents and purposes, rejoined the Old Left. Former New Left firebrands are now running for office in the Democratic Party, or have joined the Democratic Socialist Organizing Committee, which is frankly in that party previously scorned as hopelessly state capitalist.” Similar habits can be detected among some diehard paleos, many of whom were drawn to Sarah Palin during the 2008 campaign. For all practical purposes, they have rejoined the conservative movement, which should prove just as propitious as rejoining the Old Left in 1977.

**Daniel Larison** **EUNOMIA**  
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Steve Sailer, [isteve.blogspot.com](http://isteve.blogspot.com)



This, then, is our new end of ideology. The Left has ceased to be the Left, just as surely as by the late 1970s the Right had ceased to be the Right to anyone, like Rothbard, old enough to remember a time when conservatives opposed war and welfarism. In place of the radical Left now stands an optimistic, impeccably patriotic mass movement that is far too young to have a discernible character beyond simple devotion to Barack Obama. If the president should achieve little else than to appoint competent technocrats to do what needs doing in both foreign and domestic affairs, this pragmatism will be the one sure path to success for the Left. Any loyal opposition from the Right will be shaped by this fact, hastening a true end of ideology.

What hope remains then for radical alternatives? Much may be lost in the age of Obama, but there is much to be gained as well. It is still far too soon to count out the movement inspired by Ron Paul, and no matter what Obama does, the Paul critique of both the empire and the financial crisis will remain compelling for a long time. It is also increasingly clear that only the “reactionary radicals” such as Bill Kauffman, for example, care much about the history of American radicalism anymore, and that a rooted and patriotic radicalism can be a winning political formula—if Americans can see through pragmatists like Obama. However powerful our 44th president, supported by Democratic majorities in both chambers of Congress, may be, he cannot reverse the tide of Americans looking homeward—away from public schooling and mass culture.

True conservatives may yet find that in the absence of any effective political movement, their best hopes lie elsewhere. ■

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## — OLD AND RIGHT —

THE OLD, ORIGINAL, RIGHT realized the horrors of the New Deal and predicted the collectivist road on which it was setting the nation. The Old Right was a coalition of ideologies and forces that did not have one single, common, positive program, but “negatively” it was solidly united: all opposed the New Deal and were committed to its total repeal and abolition—lock, stock, and barrel. The fact that its unity was “negative” did not make it any less strong or cohesive: for there was total agreement on rolling back this collective excrescence and on restoring the Old Republic, the true America.

Unity in our hostility and hatreds, combined with diversity of positive principle, had a healthy effect on the Old Right. It meant that we could unite and act together in denouncing and moving against the New Deal enemy, while disagreeing and arguing in friendly fashion among ourselves about the kind of America we would ultimately like to achieve. How much government did we wish to roll back? Stop at 1932, or press onward to repeal Progressive measures or even the centralization of the 19th century? We were all committed to states’ rights, but how far did we want to carry this view? A few libertarian extremists wanted to go all the way back to the Articles of Confederation, but the great bulk of the Right was committed to the United States Constitution—but a Constitution construed so “strictly” as to outlaw much 20th-century legislation, certainly on the federal level.

In those days, it was a pleasure to pore over the voting records of right-wing Republicans in Congress, especially in the harder-core House, for the common garden-variety rightists of the pre-1955 era make the most right-wing congressmen today seem impossibly leftist and socialistic. My two favorite congressmen were Howard Buffett of Nebraska and Frederick C. Smith of Ohio, both of whom would invariably draw zero ratings from the Americans for Democratic Action and other leftist groups. I remember being disappointed that once in a while they might deviate by favoring a federal anti-lynching bill; did they not know that the federal government is not supposed to have any police powers?

Friendly disagreement on positive principles meant genuine and healthy diversity and freedom of discussion within right-wing circles. As Thomas Fleming noted with astonishment when researching the Old Right, there was no party line, and there was no organ or central GHQ that excommunicated “unrespectable” members. There was a wide spectrum of positive views: ranging from pure libertarian decentralization to Hamiltonian reliance on strong government within rigid limits to various wings of monarchists. And in all this diversity and range of discourse, no one would react in shock and horror to any “extreme” views—so long as the “extremism” did not mean selling out the fight against the New Deal. There was also a great deal of disagreement on specific policies that had been open questions in the Old, pre-New Deal, Republic: tariffs vs. free trade; immigration restrictions vs. open borders; and what constitutes a military or foreign policy truly consistent with American national interests.

—Murray Rothbard, *“Life in the Old Right”*

# Arts & Letters

## FILM

[*Frost/Nixon*]

### Ex-President's Question Time

By Steve Sailer

ONE OF THE ODDITIES of the movie business is how films for grown-ups, such as "*Frost/Nixon*," are now held hostage by that rather adolescent competition, the Academy Awards.

If "*Frost/Nixon*," Ron Howard's adroit rendering of Peter Morgan's intelligent drama about English TV personality David Frost's 1977 interviews with deposed president Richard Nixon, had come out in April or August, it would have served as a refreshing break from the dreary fare of those off-months. Released at the end of the year to impress Oscar voters, however—along with seemingly all the other non-superhero movies of 2008—"Frost/Nixon" has gotten lost in the box-office crush, even after snagging Oscar nominations in five major categories (best picture, directing, acting, editing, and adapted screenplay). Having spent the summer listening to my sons debate Iron Man versus Batman, the Oscar race leaves me perturbed. I'm now wondering whether Frank Langella's Nixon could beat up Mickey Rourke's wrestler.

Unsurprisingly, Morgan's persistent metaphor of the interviews as a boxing match between untested lightweight and battered ex-heavyweight champ doesn't quite stand up to the scrutiny that a best-picture winner should demand.

Nonetheless, the glass is more than half full. Howard is a famous director because he was a child star, but he's less an auteur with a distinctive style than a versatile craftsman in the tradition of all those highly effective but now easily confused golden-age directors such as William Wyler and William Wellman.

Michael Sheen, who played Prime Minister Tony Blair in Morgan's 2006 screenplay "*The Queen*," is adept in a tricky role as Frost, a nice guy who is good at a tough job that everybody assumes is easy: hosting live television. Having failed to depose Johnny Carson as the king of talk in America, Frost bets his career on paying Nixon for eight hours of interviews. Dressed in preposterous 1970s fashions, Sheen deftly portrays a man who very much enjoys being popular with the public, while constantly being hurt by the subtle contempt he engenders in the formidable.

Although he looks more like Leonid Brezhnev, stage great Langella still makes an intimidating Nixon. Needing money and a platform, Nixon accepts Frost's cash, assuming the sideburned celebrity isn't smart enough to stop him from stonewalling. (Compare Nixon's 143 IQ to John F. Kennedy's 119. What else did Nixon have going for him besides cunning?)

Meanwhile, Frost's journalist cornermen, James Reston Jr. (Sam Rockwell) and Bob Zelnick (Oliver Platt), want him to turn the shows into the trial Nixon never had, forcing a confession of guilt and an apology to the American people.

Morgan conceives their encounter as the verbal equivalent of those other 1970s rhubarbs, Muhammad Ali's fights with Joe Frazier and George Foreman. He displays Don King-like cheek in puffing up this bit of TV trivia into another Rumble in the Jungle. Personally, while I distinctly recall Frost's arrival on

American television in 1969 when I was 10, I have no recollection whatsoever of his 1977 Nixon interviews. Maybe I just wasn't watching enough TV. Or perhaps Frost's American adventures seem more epochal to a media- and politics-obsessed English lad than they do to most Americans.

Morgan phonies up the historical record a bit, concocting implausibly abject lines for the politician. He forgets to mention Nixon's 20 percent share of the profits, which meant Frost and Nixon were more collaborators than competitors.

In addition, Morgan's assumption of the historic necessity of Nixon admitting culpability seems slightly daft. As you'll recall, Nixon resigned, which seemed proof enough.

Moreover, Morgan's insistence that Nixon exude public remorse seems prematurely Oprah-tastic. "*Frost/Nixon*" suffers from having come out after Morgan's superior story, "*The Queen*," which satirized the British public's insistence on this sort of lachrymose gesture from the stoic Elizabeth II following the 1997 death of Princess Di.

"Frost/Nixon" turns into just more complacent media self-congratulation over Watergate. Yet fundamental questions remain unanswered, and, indeed, are rarely even asked. We finally know that Deep Throat was a J. Edgar Hoover crony, but what were the burglars looking for? And did Nixon order the break-in or just the cover-up?

Still, in an insightful and even touching final scene, Morgan has Nixon muse that Frost, with his gift for being liked, would have been a natural politician, while he, with his incisive mind, should have made a career out of asking tough questions. ■

Rated R for some language.

## BOOKS

[*Nothing to Fear: FDR's Inner Circle and the Hundred Days That Created Modern America*, Adam Cohen, Penguin, 352 pages]

# Nothing to Fear But Roosevelt

By Jim Powell

In *Nothing to Fear*, *New York Times* assistant editor Adam Cohen has given us a passionate, even eloquent history of Franklin Delano Roosevelt's Hundred Days and the launch of the New Deal. He captures the colorful personalities and legislative battles that transformed America into a welfare state.

Cohen presents the traditional New Deal heroic narrative, following the example of James MacGregor Burns, Arthur M. Schlesinger Jr., Frank Freidel, Kenneth S. Davis, Ted Morgan, and hundreds of other biographers and political historians. Like them, Cohen relies on memoirs, correspondence, diaries, journals, speeches, and legislative histories. Such sources tell what the characters did and what they intended, but they are wholly inadequate in explaining the economic impact of New Deal policies. And understanding these consequences is crucial today because the New Deal debate is about whether and to what extent FDR's example offers insights for helping the American economy recover from its present crisis.

It is no surprise that economists have produced a substantial body of empirical literature on the economic legacy of the New Deal. The Great Depression was probably the most important economic event in American history. Yet I know of only one major political historian who has cited any of this research: Stanford's David M. Kennedy in his Pulitzer Prize-winning book *Freedom*

*From Fear: The American People in Depression and War* (1999). This suggests extraordinary parochialism, a reluctance among biographers and political historians to look outside their field when relevant evidence is available, especially considering that some of this research was published a half-century ago.

Cohen notes that the Securities Act of 1933 was aimed at "dishonest issuers of stock." (He does not make clear why existing laws against fraud, specifically state "pie-in-the-sky" laws, were inadequate.) He seems to accept the popular idea that dishonesty played a major role in the stock market crash of 1929. Yet Nobel Laureate George Stigler and others have shown that the average rate of return from new stock issues was approximately the same before and after the enactment of New Deal securities laws. Either the laws were ineffective at rooting out fraud, or the amount of fraud compared to the total value of stocks traded was insignificant.

The main reason people lost money in the stock market was not in fact fraud. Rather, stock prices went down principally in response to Federal Reserve efforts to curb speculation. Unit banking laws contributed to bank failures by preventing them from opening branch offices to diversify deposit bases and loan portfolios.

Cohen also applauds FDR's "sweeping vision" for the creation of the Tennessee Valley Authority. He accepts the official mantra that the TVA provided a "yardstick" for judging the performance of private power-generating companies. Some yardstick: Cohen neglects to mention that the TVA is America's biggest monopoly, exempt from hundreds of taxes, federal, state, and local laws and regulations.

He commends the good intention of the TVA "to provide low-cost public power and improve conditions in one of the poorest regions in the country." But the TVA, armed with the power of eminent domain, expelled more than 15,000 people from their homes (black sharecroppers got nothing) and then flooded

some 750,000 acres (more land than there is in Rhode Island). Moreover, the TVA sold electricity that was subsidized by the 98 percent of American taxpayers who didn't live in the Tennessee Valley. A major study by William W. Chandler, *The Myth of TVA: Conservation and Development in the Tennessee Valley, 1933-1983*, showed that in terms of economic growth and income, southerners who received TVA-subsidized electricity lagged behind those who did not.

Cohen also praises the Agricultural Adjustment Act for destroying crops, raising farm prices and farm incomes. Yet he ignores the effect it had on the three-quarters of Americans who were not farmers: they were consumers, millions of them poor, who had to lay out more money for food and clothing. (Cotton was among the crops destroyed.) Nor does Cohen acknowledge that from the beginning farm subsidies always went disproportionately to big farms, since the subsidies were paid on a per acre basis. He does not seem to consider how FDR's National Recovery Administration adversely affected farmers by establishing cartels that fixed prices above market levels, requiring farmers to pay more for the supplies they needed.

FDR's Secretary of Agriculture Henry Wallace, Cohen writes, wanted to "slow the flight of farmers from the land" by keeping people in farming, thus preserving the rural way of life. But one of the key problems in America was that there were too many farmers. During the 19th century, a big percentage of immigrants had become farmers, and cultivated acreage soared. American agriculture expanded even more when World War I disrupted European farming. After the war, European agriculture revived and caused considerable excess capacity. More and more people concluded that they would be better off in manufacturing or services. Improved agricultural practices made it possible for fewer farmers to produce all the food that was needed, and the number of farmers continued to decline. FDR's farm programs served to delay inevitable market adjust-



ments and sustain unwanted farm surpluses. As Cohen admits, many farmers became addicted to federal subsidies, and this has persisted up to the present time.

Cohen praises New Deal public-works projects for creating “real jobs” that did socially useful things. But they weren’t real jobs because they weren’t self-sustaining. They didn’t create wealth. They were dependent on tax revenue from the private sector that was creating all the wealth. Large numbers of those New Deal jobs, especially the leaf-raking variety, didn’t help people improve their skills for the private sector either. One might counter that there are many real jobs in the government sector, but America already had millions of those. The critical challenge of the 1930s was to revive private-sector growth and employment, which makes everything else possible, not to do costly, socially worthwhile things that increase burdens on the private sector and make recovery more difficult.

Cohen embraces the Keynesian position. He claims that the “depression

within a depression” of 1938 was brought on by FDR’s decision to cut deficit spending. This view disregards other factors. The Banking Act of 1935 concentrated power at the Federal Reserve in the Federal Reserve Board and the Open Market Committee. The assumption was that Fed governors were smarter than the Fed’s regional banks. But the governors were human beings, too. They made mistakes, and their power magnified the harm done by their errors. The new Federal Reserve Board’s first bad call came on July 14, 1936, just five and a half months after it had begun to operate, when it required that banks increase their reserves by 50 percent, thereby reducing funds available for lending. Six months later, the Fed ordered that banks increase their reserves another 33 1/3 percent. Often it can take a year or more for a Fed action to play out, and the result was a jump in interest rates that sent the economy reeling. Fed governors were slow to recognize the effects of what they had done.

And Fed blunders weren’t the only state-inflicted blows on the economy. A succession of New Deal tax increases took their toll: the undistributed profits tax, enacted in March 1936, and the Social Security payroll tax, which began in 1937. Furthermore, New Deal labor laws—notably the Wagner Act—put the power of the federal government behind aggressive efforts to promote compulsory unionism. Labor costs went up 11 percent in 1937—the second double-digit increase during the Depression—and violent strikes disrupted production.

Blaming the depression of 1938, as Cohen does, on spending cuts amounts to conceding that the New Deal had failed to revive private-sector growth and jobs. Far from being the self-sustaining phenomenon it had been back during the prosperous 1920s, the economy had become dependent on federal spending. A comparatively poor, Third World economy in the 18th century, the United States had gone through an industrial revolution and become an

economic powerhouse, a magnet for millions of immigrants, without the Keynesian “stimulus” that was ballyhooed during the Great Depression.

Toward the end of his book, Cohen offers a remarkable concession: “Roosevelt’s critics like to point out that the New Deal did not end the Great Depression ... it took World War II to restore the unemployment rate to where it had been before the Great Crash.” He goes on to suggest, however, that the New Deal might have achieved more if it had done more deficit spending, as if money came out of thin air. Yet the truth is that the New Deal tried all sorts of things, including deficit spending, and FDR couldn’t get unemployment below 14 percent.

It’s not as if nobody had ever figured out how an economy could recover from a depression. In less than two years, the much maligned Warren Harding dispatched the post-World War I depression, which was almost as severe, peak to trough, as the Great Contraction of 1929-33. He cut taxes, cut spending, and went back to his card games. He was smart enough to realize that neither he nor any Brain Trusters were capable of running the economy. During the Roaring 1920s, which FDR’s reformers disparaged, unemployment went down to an amazing 1.8 percent.

FDR didn’t cause the Great Depression. His predecessor Herbert Hoover made a bad situation worse with his steep tariffs and big tax increases. But FDR was president when the Great Depression dragged on and on until World War II. If he had retired after his second term, he probably would now be seen as a failed president. His reputation was bailed out by World War II, which he will always get credit for winning.

What, then, can we learn from the New Deal about promoting economic recovery? No more New Deals! ■

*Jim Powell, a senior fellow at the Cato Institute, is the author of FDR’s Folly, Wilson’s War, Bully Boy, Greatest Emancipations, The Triumph of Liberty, and other books.*

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[*There Is No Alternative: Why Margaret Thatcher Matters*, Claire Berlinski, Basic Books, 386 pages]

## Putting the “I” in Iron Lady

By Sam Leith

“THIS IS NOT A CONVENTIONAL biography of Margaret Thatcher,” Claire Berlinski announces at the beginning of her preface. And oh boy, it isn’t. “My aim instead has been to offer a portrait, seen through a prism, of an extraordinary personality and towering historical figure—a woman whose influence extends far beyond Great Britain and far beyond her moment in power.”

A clue to the nature of the prism is given in that very preface. The word “I” appears six times in the first two paragraphs, after which Berlinski strikes a more personal note. “My own view?” she asks us. “I” is the subject of the following four sentences.

This is a batty book and an entertaining one—neither biography nor history nor serious political analysis; rather a combination of gossip, speculation, and the sort of girlish pash-note that Ann Coulter would write if she were the sort of person who wrote girlish pash-notes.

Claire Berlinski, an American who did a Ph.D. at Balliol College, Oxford and lived in Britain for many of the Thatcher years, adores and admires Lady Thatcher as a personality, an icon, and a political force. Her book is a capriciously organized, patchily researched, and eccentrically written exploration of what was so fab about Thatcher, and abundantly makes up for in laughs what it lacks in academic rigor. It bears a closer formal relation to *U & I*, Nicholson Baker’s book about his obsession with John Updike, than it does to John Campbell’s two-volume political biography of Mrs. T.

Yet just as Baker’s book can tell you, glancingly, about Updike, so does Berlinski’s tell you, glancingly, about Thatcher. She has secured interviews with a handful of big beasts from Thatcher’s time in power—Neil Kinnock, Bernard Ingham, Nigel Lawson, and Charles Powell.

Some have lively gossip or shrewd judgments to offer, and their personalities—Kinnock, prickly and bombastic; Ingham, gruff, “bluff and meat-featured”; Lawson chilly; Charles Powell, intelligent, dry, and silkily courteous—are rather well and engagingly sketched.

What Berlinski stresses—and here I think she’s dead right—is that it wasn’t a dispassionate mastery of economic theory that led Mrs. Thatcher to become the Boudicca of the monetarist revolution. Rather, it was a conviction that socialism was not just intellectually wrong but evil. “The real case against socialism,” Berlinski quotes her saying, “is not its economic inefficiency. ... Much more fundamental is its basic immorality.” She never—or at least not until she met Mikhail Gorbachev—met a Communist she didn’t hate.

This, contends Berlinski, is the key to her importance. She was unflinching in her determination to see socialism off at all costs, and this—as well as her success in doing so—set an encouraging example to the United States and to the world. If she didn’t win the Cold War personally, she did an awful lot—including buttering up Gorby—to make victory possible. Plus, of course, she was a woman.

None of this does much to overturn the accepted wisdom, but Berlinski often expresses herself with verve, and she argues rather winningly that Thatcher’s success was in part due to good old blind ignorance: in two crucial respects she had no idea what she was doing.

In economic policy, “It is the consensus of everyone, and I do mean *everyone* who knew Thatcher ... that she didn’t understand the technical details of the policy upon which she staked everything. Yet she did stake it all, and she

would not relent, because it just sounded *right* to her.” And as for the Falklands War: “Many have suggested that if Thatcher had had any military experience at all, she would not have been so confident. But she hadn’t.”

Berlinski’s account of the case for free markets is—as a primer for the non-economist—lucid and lively. She says pithily that the great increase in inequality that Thatcher’s policies brought about was “a design feature, not a bug.” She’s colorful—thanks in part to some enjoyable inside track from Charles Powell—about Thatcher’s relationships with Gorbachev and Reagan.

But the eccentricity of the narration tends to trump the soberer virtues of her argument. She quotes, sometimes without attribution, Wham!, Pink Floyd, UB40, Eddie Izzard, and The Clash. She invents a *New York Times* headline for illustrative purposes. She lurches in and out of the historic present. She interlards her chapter on Thatcher’s removal from power with quotations from Shakespeare’s “Julius Caesar.” Berlinski has a doctorate in international relations, yet her book reads like the work of a lively and intelligent but untrained mind.

A footnote on a manuscript alteration reads, “Whose hand did the altering? I don’t know. Is it significant? I don’t know. Archives are like that, sometimes.” Elsewhere, she puzzles over a joke between two of her interviewees: “I later listened to this part of the transcript several times, trying to figure out what he was talking about. I’m still not sure. Perhaps you had to be there.”

This amateurishness is particularly evident in her treatment of the interviews. An ordinary scholar would use her transcripts as source material and weave them into the narrative. Berlinski drops great undigested chunks onto the page, interruptions by waiters and all. You learn an awful lot about what she eats and drinks. A librarian “whisks me off for several cups of strong coffee.” (We already know, from her exchange with Sir Bernard Ingham, that she takes milk.) After she’s eaten her Dover sole

and (“to please him”) buttery mashed potatoes, John Hoskyns offers her some cake. Berlinski considers the options—strawberry cheesecake, chocolate truffle cake, trifle, strawberries in red wine with orange—and plumps, finally, for the trifle. “*There we are!*” Hoskyns congratulates her.

Her chat with the former leader of the Labour Party ends, grumpy-triumphantly: “Kinnock, as you can see, wouldn’t let me interrupt him. But in the end I have the final word.” “Permit me the indulgence of quoting myself,” she coaxes us later on. When Berlinski announces earnestly that Hoskyns’s wife Miranda “is the only interview subject to show even the remotest curiosity about me,” you cannot but hoot with laughter.

Berlinski’s research is, as I said, patchy. In seeking to explain what it might have meant to Margaret Thatcher to have grown up lower-middle-class in the Lincolnshire market town of Grantham, she announces without citing a source that Grantham was “twice voted Britain’s most boring city in national polls.” (Grantham isn’t a city.)

She goes on to inform us, “I was on a train that stopped there once. It is a flat, featureless town of red-brick houses, all roughly alike. As the train idled in the station, I wondered for a moment if I should get out to take a closer look. I peered from the rain-streaked window at the dreary expanse of low-slung brick buildings. In the distance lay a food-processing plant. I looked up at the slate-colored sky. I stayed in my seat.”

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A similar unwillingness to dig much below the surface is in evidence when she travels to Wakefield to interview a couple of former miners. “My train arrives in Yorkshire on a Saturday evening, and although it is still light, everyone is already drunk. The street from the station to my hotel is lined with nightclubs, from which heavy-set women in short skirts emerge, stumbling, displaying acres of goose-pimpled flesh, arguing loudly about who is shagging whom in the bog.” Overweight, vulgar women! Horrors! And nightclubs open before dark? Well, we have to take her word for it.

The poor people Berlinski meets, or more often glimpses, are presented somewhat as if they are zoological curiosities.

**THE POOR PEOPLE BERLINSKI MEETS, OR MORE OFTEN GLIMPSES, ARE PRESENTED SOMEWHAT AS IF THEY ARE ZOOLOGICAL CURIOSITIES. THE EFFECT IS TO MAKE THE INTERVIEWS READ LIKE A MONTY PYTHON SKETCH.**

The miners’ quaint Yorkshire accents, for example, are given careful phonetic reproduction. The effect is to make the interviews read like a Monty Python sketch (not least because Berlinski with crass jocularity datelines her transcript “Yorkshire, Middle o’ Nowhere”):

**Brian:** Every miner wouldn’t have shot her.

**Harry:** I’ll get drunk when she leaves. [Gestures at vegetable patch] I mean, this is what we got left now.

[Rooster crows]

**Harry:** After the strike, after the pit closed, they went from pit to pit, it were. The life we had, weren’t it, you know—

**Johnny:** Yeah.

The problem with this, apart from the basic condescension it implies—Berlinski sniffily lets it be known that she has “standardized the punctuation” of another of her correspondents, which rather cancels out the favor—is that a nuanced rather than a caricatural account of the British class system is essential to getting a

grip on what Thatcher actually achieved and how she achieved it.

And so, for that matter, is getting the basic system of nomenclature right. Lord Powell is not a knight (he was—and he was called “Sir Charles Powell” back then); and the life peer Lord Walker is not “Lord Peter Walker” (which would make him the son of a duke, marquess, or an earl). This stuff may sound prissy to American ears—and perhaps it is—but you’d expect someone writing about British history to get it right, just as you’d think sloppy a historian of China who started talking about “Chairman Tse-Tung” rather than “Chairman Mao.”

Still, it is not for the punctilious historical fact you look to *There Is No*

*Alternative*. It is for the unironized mention of “womanish hysteria”; for the observation that union leader Arthur Scargill’s second name connotes “thuggishness and slime”; for the flirting with the old university tutor; and for the preening reminiscences of how, as a young woman in an Oxford College full of sexually gauche ex-private schoolboys, “it was almost trivially easy to stand out from the crowd, terrify your peers, receive special attention from your tutors, and be the cynosure of any social gathering. It was a clearly observable law that the more bitterly a woman could be heard complaining of the university’s institutional sexism, the more likely it was that she was ugly, hopelessly passive, or not all that bright.”

This is a mad book—honking, flapping-around-the-sky mad—and very amusing if enjoyed as such. There’s proper history, and there’s this. It is, you could say, a very pleasant alternative. ■

*Sam Leith is a freelance writer based in London.*

[*American Raj: Liberation or Domination?: Resolving the Conflict Between the West and the Muslim World*, Eric Margolis, Key Porter]

## Averting the Clash

By Leon Hadar

IT WAS BOUND TO HAPPEN. In the same way that the movement against U.S. military intervention in Vietnam split, amoeba-like, during the drawdown of the war in Southeast Asia, the opposition to the war in Iraq seems to be disintegrating now that the presidential candidate who promised to withdraw from Mesopotamia—a position that is currently supported by 70 percent of the American people—has occupied the White House.

In fact, opponents of President George W. Bush's decision to oust Saddam Hussein and the ensuing American occupation of Iraq have never constituted a unified political force. The antiwar coalition instead consisted of several factions on the political Left and Right. They came together at the height of America's unipolar moment in reaction to an effort by neoconservative ideologues to impose U.S. military hegemony in the broader Middle East and most of the Muslim world.

In *American Raj*, Eric Margolis charts the evolution of an American imperial system whose foundations were laid in the Cold War and whose main rationale was the control of energy resources in the Middle East—a process that accelerated after the collapse of the Soviet Union, the only global player that could challenge American supremacy. His book is part political analysis and scholarship—unfortunately the author does not provide endnotes—part lively travelogue and personal memoir.

Margolis, like other critics of U.S. policy in the Middle East, was not surprised by 9/11. "The attacks of Septem-

ber 11, 2001, did not come out of the blue," he writes. "They were a huge, overdue installment payment in the costs of empire." Washington's policy of propping up unpopular military regimes and monarchies in the Muslim world and its unyielding support for Israel's repression of the Palestinian people, along with the humanitarian catastrophe resulting from the embargo against Iraq, produced a massive backlash against America in the Muslim world.

President Bush and his neoconservative aides, says Margolis, seized the opportunity provided by 9/11 to pursue an overreaching strategy to secure America's domination of the Middle East's energy resources, a plan that required U.S. military control of Iraq and Afghanistan. This campaign was launched in the name of fighting terrorism, protecting the West from the Muslim menace, and democratizing the Middle East. But that crusade led to a head-on confrontation between the U.S. and the Muslim world, ignited even more anti-American terrorism, and ended up with a strategic debacle in Iraq and costly diplomatic and military setbacks in Afghanistan as well as in Lebanon and Israel/Palestine.

Most of the activists and pundits who helped energize antiwar sentiments in this country would probably support Margolis's assessment. But not all the critics of the Iraq War agree in their opposition to the neoconservative agenda. Many realists faulted the mission in Iraq for not serving core U.S. interests but supported the invasion of Afghanistan. Foreign-policy internationalists insisted that the unilateral decision to attack Iraq violated the dictum that the U.S. should only go to war on behalf and with the full backing of the international community, as happened in Afghanistan. Noninterventionist followers of Ron Paul or Ralph Nader, meanwhile, warned against going abroad in search of monsters to destroy, while traditional conservatives and Jacksonian nationalists cautioned against both invading the world and inviting the world in the name of a self-defeating universalist doctrine.

These differing ideological orientations overlapped on the issue of the Iraq War. Yet while common outrage against the neocons made for congenial political bedfellows, one recalls that there were quite a few realists, internationalists, libertarians, lefties, nationalists, and even paleoconservatives who supported the invasion of Iraq and the campaign against Islamofascism. And now that the U.S.-led crusade to remake the Middle East (aka the Freedom Agenda) has crashed so disastrously into political, economic, and military realities, it is not surprising that the anti-neocons are starting to discover that what united them may not be enough to keep them together.

We can expect, for example, to hear charges of inconsistency directed against political allies from noninterventionists who cannot comprehend why their antiwar internationalist buddies are now advocating humanitarian intervention in Darfur. Or Ron Paul libertarians might be appalled to discover that realists insist the U.S. should remain engaged in the Middle East to maintain access to energy resources.

This is why some readers who wholeheartedly approved of Margolis's many published articles blasting the Bush administration's foreign policy and the neoconservative agenda may not entirely agree with the arguments put forward in *American Raj*.

Realists who rebuked President Bill Clinton's use of military force in Bosnia and Kosovo—even though neither situation threatened the well being of American citizens—would probably see a certain cognitive dissonance between Margolis's denunciation of the military intervention in Mesopotamia and his applause for the one in the Balkans, which he describes as a "rescue of the Balkans' oppressed Muslims" and a "gallant humanitarian action."

And Margolis is very critical of the Bush administration's refusal to denounce and take action against Moscow's brutal suppression of the Muslim insurgency in Chechnya, a view not shared by realists, who place prior-



ity on securing the U.S. relationship with great powers like Russia, and noninterventionists, who oppose military aggression everywhere.

Libertarians and traditional conservatives, moreover, may not feel comfortable with Margolis's notion that the U.S. has an obligation to bring democratic values and practices to the Muslim world or his argument that the Orange and Rose Revolutions in Ukraine and Georgia serve as a model for the role that America and the European Union can play in forcing dictators out of power.

But Margolis is neither a traditional conservative nor a libertarian nor a left-wing interventionist. As the son of an American-Albanian mother and an American-Jewish father, he is one of those foreign correspondents with strong cosmopolitan sensitivities—someone who can reasonably boast that the world is his home. He is essentially an internationalist with realist and idealist tendencies in the tradition of presi-

Qaeda, Bush and the neoconservatives; Milosevic and Serb nationalists, Putin and Russia's imperialists, Israeli Likud leaders and the Jewish settlers—have succeeded in transforming national, strategic, and economic disputes into conflicts between religions and cultures.

Margolis believes that, notwithstanding the history of bloody conflict, the Abrahamic monotheistic faiths have much in common and that a reconciliation between the West and the Muslim world would serve the long-term interests of Americans and Middle Easterners alike.

His case is convincing. The clash of civilizations is not inevitable. The current conflicts in the broader Middle East—Israel/Palestine, Kashmir, Chechnya, Lebanon, Iraq—are struggles in which political, tribal, national, as well as religious factors all play a role. (In fact, I challenged Huntington's clash of civilizations thesis 15 years ago in an article for *Foreign Affairs*. I argued that

ated in the aftermath of the American empire, working with old and new regional autocrats and local warlords in ways that sabotage political and economic reform.

Yet Margolis, despite his own rejection of Huntington's thesis, keeps referring in *American Raj* to the "Muslim world," as though all its peoples share similar values and aspirations. The Muslim world is in fact a mosaic of nation-states, ethnic groups, religious sects, and tribal groups; a mishmash of political ideologies and economic systems as well as national identities—Arab, Persian, Turk, Kurd, Israeli, Berber—and even large non-Muslim communities—Maronites, Copts, Armenians, Jews, and, if India is added to the picture, Hindus. The Muslim world includes the secular Arab nationalist movements of Ba'athism and Nasserism; Saudi Arabia's dominant and strict Wahhabism; the revolutionary, millennialist dogma of the ruling Shi'ites in Iran and their Middle Eastern satellites; the Kemalist secular, republican, and statist tradition of Turkey; the tolerant and multicultural societies and capitalist economies of Indonesia and Malaysia; the radical Islamists of South and Central Asia; Westernized, multiethnic, multi-religious Lebanon; and Muammar Qaddafi's strict and somewhat bizarre Islamic revolutionary system in Libya.

It is true that Bush's policies may have unified the majority of the world's Muslims against America. Yet changes in American policy under the administration of President Barack Obama, especially in dealing with the Persian Gulf and the Levant, could reverse these attitudes. Washington might then embrace a foreign-policy *realpolitik* that treats the Broader Middle East not as an American Raj or a monolithic civilization, but as a hodgepodge of many identities, interests, and policies. ■

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## MARGOLIS BELIEVES THAT, NOTWITHSTANDING THE HISTORY OF BLOODY CONFLICT, THE ABRAHAMIC MONOTHEISTIC FAITHS HAVE MUCH IN COMMON.

dents Dwight Eisenhower, whom he praises for pressuring Britain, France, and Israel to withdraw from Egypt after the 1956 Suez campaign, and John F. Kennedy, who fiercely criticized France's colonial war in Algeria. He also shares many of the foreign-policy views of contemporary public figures such as former national security adviser Zbigniew Brzezinski and former Republican senator Chuck Hagel. Both have been harsh critics of neoconservative-driven policies in the Middle East, but they also support the exertion of U.S. influence in the region through diplomatic, economic, and political means.

In *American Raj*, Margolis stresses his concern that 9/11 and the Iraq War have helped turn the late Samuel Huntington's clash of civilizations paradigm from a theoretical concept into an explosive global reality. Extremists on all sides—Osama bin Laden and al-

members of the U.S. foreign-policy establishment, suffering from "Enemy Deprivation Syndrome" in the aftermath of the Cold War, were settling on radical Islam—or the "Green Peril" as I called it—as a potential new bogeyman.) The hawkish ideologues who hijacked President Bush's foreign-policy apparatus duly embraced Huntington's concept as a way to justify their attempts to expand American military power and establish U.S. hegemony in the Middle East.

But even if, as Margolis advises, America withdraws its troops from Iraq, Afghanistan, and the rest of the broader Middle East and revises its open-ended commitment to Israel, there are no guarantees that the Middle East would take the road towards liberalization, following in the footsteps of the former Communist-controlled states of Eastern Europe. It is quite conceivable that other global powers might fill the vacuum cre-

# Old News

The news racket is dead, mummified, and ready for a mausoleum. The joy has gone. Reporters were once a misbegotten tribe of ashen-souled cynics, honest

drunks chain-smoking their way to the grave, foul-mouthed, profane, boisterously male, believing in nothing but the certainty of corruption and the squalor that is human nature. In short, they were philosophers and splendid company. You couldn't chew the fat with a better crowd. They knew the world as no one else did. I mean the real world—big-city bus stations at 3 a.m. where things crawled forth that would unnerve the underside of a rotting log. They knew Linda's Surprise Bar in Saigon and Lucy's Tiger Den in Bangkok. Many had been in the military and survived the ritualized absurdity of GI life. Delicates and milque-toasts they weren't.

They were the world's true aristocrats. All the Heidelberg philosophers rolled into one and exponentiated knew less of life than a cub on his second year on the police desk. Less that was worth knowing, anyway.

Maybe the news trade didn't build character, but it built characters. Marquis, Mauldin, Royko, Charley Reese, Smith Hempstone, Paul Vogel—names ancient and less so, mostly unknown in the wider world, guys who told wild stories in the press bars of Taipei and Joburg, stories both impossible and sometimes true.

There was Six-Pack Muldoon, a chopper pilot working in Southeast Asia. Always flew with an open six-pack in the cockpit. Asked why, he said, "In 30 years of flying, I've only crashed twice. Both times I was sober. I'm not going to risk it again."

That world is gone. The news biz has been sanitized, made polite and tedious, like a family pool hall with orange felt and no betting. The morgue has become "the library." Newsrooms are "non-smoking environments." As women came in, the boisterousness and dirty stories went out. The gals could do the job perfectly well, but the atmosphere changed. A true news weasel no long felt at home. You could no longer say, "So there we were on Bugis Street, and Murphy picks up this hooker with three thumbs, yeah, really."

And then ... give me strength. The Ivy League took over. The ashtrays went and very nice young people from Princeton showed up. They were smart, sometimes rocket smart, knew about things the old hands had never heard of, learned fast, but they were so ... nice. They ate salads. Until then no reporter had ever eaten a salad, only marbled steak and Jim Beam and other things bad for you. The old-timers watched the new arrivals with horror. It was like being invaded by Moonies.

The D.C. Bob began. Newspapers fell into the gummy clutches of the school-marmish censorship that we call political correctness. Reporters talking in restaurants began the furtive reconnaissance—the duck of the head and the shift glance about—to make sure that no one was within earshot who might be offended. Practically everyone could be offended, indeed seemed to be looking for the chance: blacks, Asians, Hispanics, women, homosexuals, Jews, what have you.

The National Press Club got overrun by lobbyists and flacks. It too fell into the tarpits of the Higher Priss. The big portrait of a bosomy young lady that had once graced the walls had to go. The place began to feel like a hotel lobby. Heartwarming events began, like tree fungus on a log not quite dead. Old-timers hated anything heartwarming. You could shoot at them and they didn't care, station them in Bangladesh and they would hold up. Heartwarming events were too much.

I quit the Press Club over Costa Rica Night, I think it was. Or maybe Mexico. I was at the bar talking to Mike Causey, stand-up guy, a classic newsman, then with the *Washington Post*. A very nice young lady came over tried to sell me tickets to Costa Rica Night, if that is what it was. Oooh, she said, it was going to be fun. We would wear costumes and there would be piñatas and it would be a Latin American Experience, oooh.

I was courteous. In times of trial, I call on deep reserves of character. I didn't tell her I would prefer to spend the evening removing my lungs with a ball-point pen. Nor did I explain my idea of a Latin American Experience: standing at the Gavilan Bar in Guadalajara, hooking down José Cuervo and swapping war stories with my crazy friend Tom the Robot.

But I quit. Character only carries you so far.

And the corporations took over. Everything became tranquil, slant decided at corporate. Don't make waves. The fluorescents hummed narcotically, like paper shredders destroying evidence. Sterility flowered. Libel and character assassination fell into disfavor with publishers.

What a world. ■

Never-before  
collected articles,  
opinions, and essays  
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With new commentary  
and foreword by  
the author

A portrait of Robert H. Bork, an older man with white hair and a mustache, wearing a dark suit, light blue shirt, and a patterned tie. He is looking directly at the camera with a slight smile. The background is dark.

# ROBERT H. BORK

SELECTED WRITINGS AND ARGUMENTS

## A TIME TO SPEAK



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